

# **Department of the Navy Financial Improvement Program**



## **Validation Package Reference Guidance**

**Assistant Secretary of the Navy  
(Financial Management and Comptroller)**

**Office of Financial Operations (FMO)**

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<b>OVERVIEW.....</b>	<b>3</b>
<b>GUIDANCE OBJECTIVE.....</b>	<b>3</b>
<b>ROLES AND RESPONSIBILITIES .....</b>	<b>4</b>
Table 1: Validation Package Format with Responsible Organizations .....	4
<b>PRODUCING A VALIDATION PACKAGE.....</b>	<b>5</b>
<b>I.    VALIDATION PACKAGE PROCESS.....</b>	<b>5</b>
Table 2: Validation Package Process.....	6
<b>II.    PREPARE VALIDATION PACKAGE.....</b>	<b>7</b>
1. <i>Plan for Validation</i> .....	7
2. <i>Document Processes &amp; Compile Support</i> .....	8
Table 3: Business Process Matrix .....	8
<i>Figure 1: Flow Chart Symbols</i> .....	10
<i>Figure 2: Business Process Flow Chart Format</i> .....	11
Table 4: Business Process Memorandum Format.....	12
<i>Figure 3: Sample Reconciliation Schedule</i> .....	15
<i>Figure 4: Sample Reconciliation Schedule w/Activities</i> .....	16
Table 5: Sample Finding .....	18
3. <i>Assess Internal Control</i> .....	20
Table 6: Sample Investments Internal Control Questionnaire .....	23
Table 7: Sample GAO/PCIE FAM “Checklist for Federal Accounting, Reporting, and Disclosures” (with revisions) .....	26
Table 8: Sample Internal Control Assessment Worksheet .....	29
Table 9: Internal Control Assessment Titles and Descriptions.....	30
4. <i>Submit Package for Validation</i> .....	31
<b>III.    VALIDATION PACKAGE INDEXING.....</b>	<b>32</b>
<b>APPENDIX A: RECENT AUDIT REPORTS, LAWS, RULES AND REGULATIONS</b>	<b>33</b>
<b>APPENDIX B: USSGL ACCOUNTS AND DEFINITIONS .....</b>	<b>37</b>
<i>Working Capital Fund</i> .....	37
<i>General Fund</i> .....	41
<b>APPENDIX C: VALIDATION BUSINESS PROCESS MATRIX (WCF AND GF)...</b>	<b>47</b>
<i>Working Capital Fund</i> .....	47
<i>General Fund</i> .....	53
<b>APPENDIX D: SAMPLE BUSINESS PROCESS MEMORANDUM &amp; FLOW CHART</b>	
.....	60

# **Department of the Navy Financial Improvement Program Validation Package Guidance**

## **OVERVIEW**

In support of the Department of Defense's (DOD) goal to achieve an unqualified audit opinion, the Assistant Secretary of the Navy (Financial Management and Comptroller), Office of Financial Operations (FMO) developed the Department of the Navy (DON) Financial Improvement Program (FIP). One key initiative of the DON FIP involves taking action to discover impediments to producing "clean" financial data or similarly, "validating" that no significant impediments exist. Where significant impediments (or deficiencies) are discovered, corrective actions will be developed, undertaken, and ultimately "validated" to ensure completeness. In the end, management will assess the "cleanness" of its financial information, leading to a formal assertion of audit readiness.

The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) developed business rules and a formal assertion process and format. The DON developed its Validation Package structure and process to comply with the OUSD(C) direction, as well as provide to management a consistent, comprehensive means to assess the reliability of its financial information.

In general, the DON anticipates producing "validation packages" for each financial statement line item for both the General and Working Capital Funds. A Validation Package, defined, is: **A compilation of documents that identify internal control, business processes and procedures, information systems, transaction detail, evidential matter, organization charts, and resolutions to known deficiencies used to support the *Validation Phase* of the OUSD Financial Improvement Business Rules.** In essence, the process of producing the Validation Package can be viewed as discovery, where processes, internal controls, and audit evidence are documented, assembled, and evaluated. Benefits derived from developing the Validation Package include:

- Discovery of unknown problems
- Developing a comprehensive understanding of how business events are accounted for, and appear in financial statements
- Identification of improvement opportunities
- Provide a solid means to facilitate and support an audit

## **GUIDANCE OBJECTIVE**

This document is intended to provide high-level guidance to those organizations and individuals tasked with preparing validation packages. Detailed training and training

material will be available and provided **before** actual effort commences. Revisions to this guidance will be provided as necessary.

## ROLES AND RESPONSIBILITIES

FMO will prioritize, coordinate, and initiate discovery/documentation efforts that lead to the assembly of a Validation Package. Because multiple organizations are involved in accounting for a business event through to the financial statements, it will be a challenge in linking all processes to form a complete picture of how everything fits together. Each major command/activity, along with their Defense Finance and Accounting Service (DFAS) partner, will be responsible for compiling validation packages, certifying the accuracy of the contents, and submitting the packages to the FMO for consolidation and rollup at the DON level. FMO will consolidate departmental-level processing, principally documented by DFAS-CL, and incorporate into a final package for formal assertion. Table 1 below summarizes Validation Package contents with the expected owner for developing content material. The OUSD(C) tab is a format prescribed by OUSD(C) for package delivery and will be discussed later.

**Table 1: Validation Package Format with Responsible Organizations**

OUSD(C) Tab	Topic	Responsible Organization			
		Commands DFAS Field Sites	DFAS CL	FMO	System Owners
1	Business Process Memorandum, Flow Chart(s), GAO Checklist(s), Internal Control Questionnaires, Internal Control Assessment, and Directives	✓	✓	✓	
2	General Ledger Transaction Detail Information, Balance Verification, and Reconciliation(s)	✓	✓	✓	
3	Evidential Matter	✓	✓	✓	
4	Validation Summary (Management Assertion Letter and Completed Assertion Checklist)			✓	
5	Explanation of Corrective Actions Taken	✓	✓	✓	
6	Findings and Summary of Corrective Actions Taken	✓	✓	✓	
7	Organization Charts and Point of Contact List	✓	✓	✓	
8	FISCAM and SAS 70/88 Audit Date(s)				✓

OUSD(C) Tab	Topic	Responsible Organization			
		Commands DFAS Field Sites	DFAS CL	FMO	System Owners
9	FISCAM and SAS 70/88 Audit Reports				✓
10	Hardware, Software, and Interfaces				✓
11	Type of Data Produced				✓
12	Telecom/Network Information				✓
13	Certifications/Accreditations				✓
14	System/End User Locations				✓
15	Location of Systems Documentation				✓
16	Data Type/Summary of Transactions (Number, Type, Dollar Value)				✓
17	List of Authorized Users				✓
18	List of On-Going or Planned Reviews				✓

## PRODUCING A VALIDATION PACKAGE

### I. Validation Package Process

Once the decision is made to begin a discovery/documentation effort to produce a Validation Package, the principal actions are as follows:

1. Plan for Validation
2. Document Processes & Compile Support
3. Assess Internal Control
4. Submit Package to FMO

The sections below provide specific information for each of the areas listed above to assist in producing and completing a Validation Package. Examples and instructions to assist in documenting detailed information about information systems, management controls, policies and procedures, and organization infrastructure and organization related to existing financial management business events are also provided. Table 2 below

defines specific steps to be used to support validation package efforts for your organization.

**Table 2: Validation Package Process**

	Step		Action		Task	Organization
	Prepare Validation Package					
		1.	Plan for Validation			
				1.1	Define scope, requirements, and timetable for validation	Command & DFAS-Field Site
				1.2	Review recent audit reports, laws, rules and regulations	Command & DFAS-Field Site
				1.3	Review applicable USSGL accounts and definitions	Command & DFAS-Field Site
				1.4	Compile DDRS-AFS drill downs (if applicable)	WCF Activities
		2.	Document Processes & Compile Support			
				2.1	Identify transaction-related processes applicable to the financial statement line item from the business process matrix	Command & DFAS-Field Site
				2.2	Document business process memorandum and flow chart including systems involved	Command & DFAS-Field Site
				2.3	Document the organization structure and point of contact list	Command & DFAS-Field Site
				2.4	Gather all transaction detail and evidential matter for the financial statement line item	Command & DFAS-Field Site
				2.5	Perform balance verification and reconciliation to determine the validity of balances	FMO for GF, WCF Activities
				2.6	Document findings found during balance verification	Commands & DFAS-Field Sites
				2.7	Gather applicable system information including FISCAM or SAS 70/88 audit reports or document detailed system validation requirements in the absence of a FISCAM or SAS 70/88 audit	Systems Owners
				2.8	Prepare an explanation of actions taken to correct identified deficiencies	Commands & DFAS-Field Sites
		3.	Assess Internal Control			
				3.1	Complete GAO checklist and internal control questionnaire	Commands & DFAS-Field Sites
				3.2	Identify and document risk in the business process memorandum and flow chart	Commands & DFAS-Field Sites
				3.3	Identify and document control activities in the business process memorandum and flow chart	Commands & DFAS-Field Sites
				3.4	Document the assessment of internal control using the internal control assessment worksheet	Commands & DFAS-Field Sites
				3.5	Document findings found during internal control assessment and prepare an explanation of actions taken to correct the deficiencies	Commands & DFAS-Field Sites
		4.	Submit Package for Validation			
				4.1	Send completed package to FMO	Commands

## **II. Prepare Validation Package**

For each of the package areas below, a description is included to explain the procedures or documentation needed to complete the validation package. In some cases, additional information is provided after the description to help further explain the requirement(s).

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### **1. Plan for Validation**

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#### **1.1 Define scope, requirements, and timeframe for validation**

FMO will work with Commands to develop project scope, define resource requirements, and to develop an overall approach for the Validation effort. Commands will need to size their organizations, to define where pockets of materiality exist inside their organizations. This will help prioritize documentation/discovery efforts to achieve the most efficient use of resources.

#### **1.2 Review recent audit reports, applicable laws, rules, and regulations**

Commands should become familiar with recent audit reports, laws, rules, and regulations associated with the validation objective. Processes and procedures should be authorized in accordance with laws, regulations, and policies that govern financial management in establishing principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. The two principal regulatory documents are the FMR and FASAB. FMO will provide this information as part of initiation efforts for a validation package.

#### **1.3 Compile applicable United States General Ledger (USSGL) accounts and definitions**

Understanding the applicable USSGL accounts and definition, as well as the relations of the accounts to the financial statement line items, is necessary to assessing the appropriateness for how a transaction was accounted. FMO will provide applicable USSGL accounts and definitions as part of the initial efforts for a validation package. Additionally, FMO will provide account “crosswalks” to the financial statement line. Posting logic for DFAS systems is being documented and assessed by DFAS and will be distributed when available.

#### **1.4 Compile Defense Departmental Reporting System Audited Financial Statement (DDRS-AFS) drill downs**

Part of validation is making sure that financial statement line balances reconcile with supporting sub-ledgers. Since this information is not readily available for the General Fund, FMO will compile this information at the DON level. WCF activities should be able to access and produce period-end reports. This information will be included as supporting evidence in the validation package.

For a listing of recent audit reports, laws, rules and regulations to consider when compiling the validation package, *see Appendix A*. Also, refer to *Appendix B* for applicable USSGL accounts to consider for each financial statement line item

## 2. Document Processes & Compile Support

### 2.1 Identify transaction-related processes applicable to the financial statement line item from the business process matrix

Each financial statement line is a result of financial transactions associated with business events and processes. The Business Process matrix (not all-inclusive) in table 3 below demonstrates the relationships between financial statement line items/general ledger accounts and common business processes.

The matrix is composed of row and column headings: Line Items/Accounts and Transaction-Related Processes. The row heading includes account categories derived from the June 2004 U.S. Standard General Ledger (see U.S. Treasury, Financial Management Service website <http://www.fms.treas.gov>). The column heading, displays eight common transaction-related business processes. The relationship between the line item/account and transaction-related processes is indicated with a “check mark” (✓). To illustrate, Receivables, Inventory and Related Property, and Revenue are part of the Billing process (see columns, Line Items/Accounts and Transaction-Related Processes, respectively). Similarly, Funds Control, Billing, Cash Receipts, and Financial Reporting are transaction-related processes that affect Receivables. (*See Business Process Matrix by line item at Appendix C*).

**Table 3: Business Process Matrix**

Line Items/Accounts (USSGL)	Transaction-Related Processes							
	Funds Control	Billing	Cash Receipts/ Refunds	Returns	Purchasing/ Acquisition	Cash Disbursements	Payroll	Financial Reporting
Fund Balance With Treasury / Cash	✓		✓	✓		✓	✓	✓
Receivables – Intragovernmental	✓	✓	✓					✓
Advances to Others / Prepayments	✓					✓		✓
Inventory and Related Property	✓	✓		✓	✓	✓		✓
Investments	✓		✓		✓	✓		✓
General Property, Plant, and Equipment	✓			✓	✓	✓		✓
Liabilities	✓					✓		✓



Line Items/Accounts (USSGL)	Transaction-Related Processes							
	Funds Control	Billing	Cash Receipts/ Refunds	Returns	Purchasing/ Acquisition	Cash Disbursements	Payroll	Financial Reporting
Revenue	✓	✓	✓	✓				✓
Expenses	✓				✓	✓	✓	✓

Source: GAO/PCIE Financial Audit Manual (with revisions)

## 2.2 Document business process flow chart and memorandum including systems involved

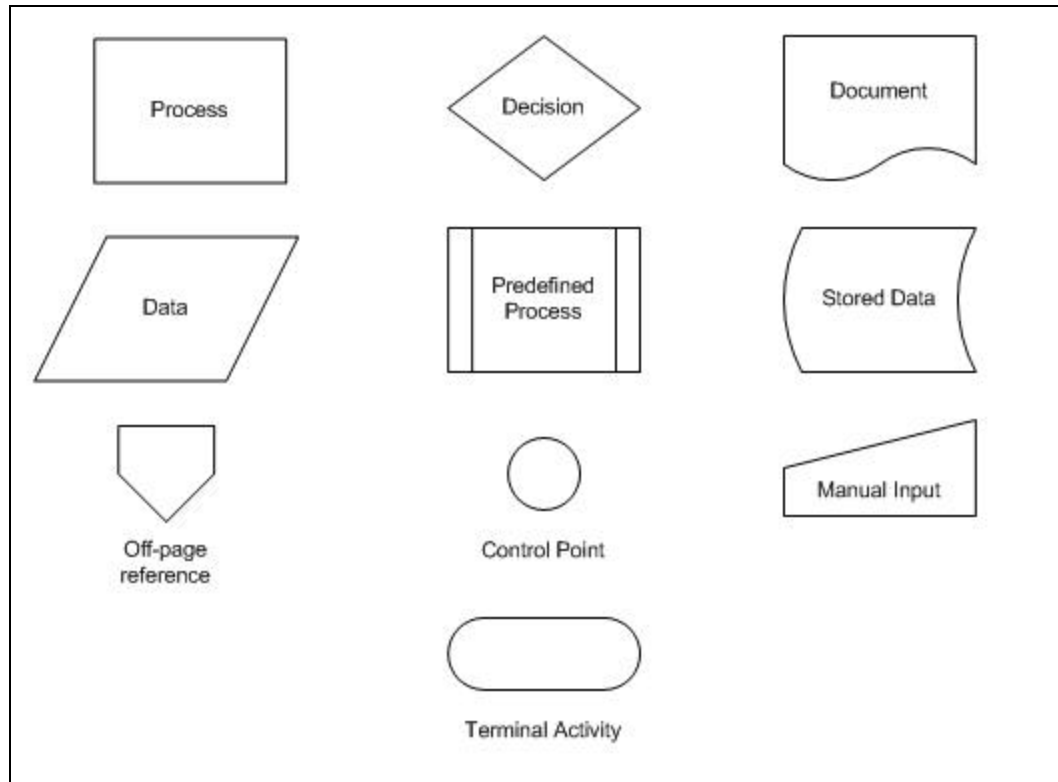
Identify and document the procedures, processes, and control points for deriving the balance(s) being asserted. Include the systems that are used and the flow of data from field level to departmental level. This should be done in business process memorandums and flow charts. Identify all systems that have detail that make up the balance(s) being asserted as ready for audit. Management should keep a copy of this documentation as a reference guide to their financial management processes and systems. Additionally, the processes and procedures included in the validation package should be periodically updated and maintained.

### Business Process Flow charts and Memorandum

Each organization should prepare sufficient documentation to clearly describe and illustrate the financial management system; such documentation includes memorandums and flow charts. Flow charts provide a good mechanism to document business processes.

#### Business Process Flow Charts

The flow chart should complement the related business process memorandum and summarize the significant transaction flows in terms of (1) input and report documents, (2) processing steps, (3) files used, (4) systems involved, (5) interfaces with other business processes, (6) output reports, (7) accruals and accounting adjustments, and (8) management control/internal control procedures such as reconciliations, schedules, etc. Additionally, the method(s) of communication used to share the status of steps throughout the process should be documented (i.e. mail, email, etc.). Communication between the organizations that perform dependent steps is crucial to the efficiency of the process when one step within the process cannot start until another step is completed. The business processes should be clearly identified in the flow chart (See Sample Flow Chart at **Appendix D**). Microsoft Visio software is the preferred software to assist in business process flow chart creation. Figure 1 below depicts process flow diagram symbols for your reference. Figure 2 depicts the preferred business process flow chart format.



*Figure 1: Flow Chart Symbols*

### *Use in Flow Chart*

- Process:** Computational steps or processing functions
- Decision:** Based on a relational condition, select from (branch to) multiple processes
- Document:** Readable data
- Data:** General Input/Output of information
- Predefined Process:** Sub-routine/Procedure used to indicate a process that is defined elsewhere
- Stored Data:** Data in information system
- Off-page reference:** Continue a flow chart at a different place either on or off the same piece of paper
- Control Point:** Denotes management/internal control points
- Manual Input:** Manual Input from the Keyboard to Memory
- Terminal Activity:** Start, Stop or End

File: Receivables.vsd (Page 1 of 1) Name: Receivables Financial Statement Line Item Date: 27 October 2004				
	Billing	Cash Receipts	Returns	Recording and Reporting
Responsible Entity	Provide a detailed, numbered flow diagram for the Billing business process. Each step should correspond to the responsible organization involved in the process.	Provide a detailed, numbered flow diagram for the Cash Receipts business process. Each step should correspond to the responsible organization involved in the process.	Provide a detailed, numbered flow diagram for the Returns business process. Each step should correspond to the responsible organization involved in the process.	Provide a detailed, numbered flow diagram for the Recording & Reporting business process. Each step should correspond to the responsible organization involved in the process.
Responsible Entity				
Responsible Entity				

**Figure 2: Business Process Flow Chart Format**

### Business Process Memorandum

The business process memorandum is a narrative that accompanies the flow diagrams. It should:

- Identify the business process transactions and each significant financial management system included in the business process.
- Describe interfaces with other business processes (see Business Process Matrix – **Appendix C**).
- Identify financial statement line items and general ledger accounts included in the business process.
- Identify internal controls (e.g. separation of duties and account reconciliations).
- Describe the operating policies and procedures relating to the processing of business transactions.
  - *These operating policies and procedures* should include, but are not limited to:

- The types of forms used (including form numbers);
- Staff positions involved in initiating a transaction;
- Accounting methods;
- Source documents utilized;
- How transactions are processed and the process flow to the financial statement balance;
- Identifying the systems involved; and
- Control activities such as, controls over information processing, physical control over vulnerable assets, segregation of duties, and accurate and timely recording of transactions and events.

**Each organization should obtain an understanding of and should document the following for each process in the business process memorandum:**

- a) The manner in which transactions are initiated;
- b) The nature and type of records, journals, ledgers, and source documents, and the accounts involved;
- c) The processing involved from the initiation of transactions to their inclusion in the financial statements, including the nature of computer files and the manner in which they are accessed, updated, and deleted; and
- d) The process used to prepare the organization's financial statements and budget information, including significant accounting estimates, disclosures, and computerized processing

Table 4 below is the preferred format for the business process memorandum.

**Table 4: Business Process Memorandum Format**

Business Process Title	
<b>Organizations Responsible for Business Process:</b> <ul style="list-style-type: none"> <li>• Organization Full Name</li> <li>• Organization Full Address</li> </ul>	<b>Business Process Points of Contact (POC):</b> <ul style="list-style-type: none"> <li>• POC Name</li> <li>• POC Phone Number</li> <li>• POC Email</li> </ul>
<b>Purpose:</b> Explain the purpose the business process.	
<b>Prepared By:</b> Organization Name <b>Date:</b> Date Prepared	<b>Primary Point of Contact:</b> Name, Phone, Email
<b>Process Description:</b> Provide a detailed explanation of the business process. Indicate the steps in the process in which documentation or reports are produced by writing the report name by the associated step.	

The relationships between line items/accounts and transaction-related processes must be included in the business process flow chart and memorandum. Flow charts and memorandums should be as detailed as possible and include all transaction-related processes.

### **2.3 Document the organization structure and a point of contact list**

Each organization should provide their current organizational structure, illustrating the levels of authority throughout the organization. The organization chart should show the lines of responsibility between departments of an organization.

For each step identified in the flow chart, identify the person(s) that are responsible for ensuring the steps are completed. The point of contact listing should indicate the key personnel, their responsibilities, organization, phone number, and email.

### **2.4 Gather all transaction detail and evidential matter for the financial statement line item**

#### **Transaction Detail**

General Ledger transaction detail and supporting information from feeder systems should be available for all transactions that make up the financial statement account balance(s) being asserted. Ensure the total of the detail equals the balance of the line item. This includes all accounting adjustments that have an effect on the ending balance of a line item reported on the financial statements.

#### **Evidential Matter**

Consolidate evidential matter that supports the financial statement transactions or map where the evidential matter is located for easy and expedient retrieval. Audit evidence should be readily available to support the audit engagement.

Evidential matter consists of transaction supporting documents that provide a reasonable basis that the organization's transactions are appropriately recorded and reported. This requires that organizations maintain evidence regarding the five management assertions embodied in financial statement components. AU Section 326 of the AICPA Professional Standards lists the following five management assertions:

- Existence or occurrence - management has only included items in an account or transaction class that actually have occurred or exist.
- Completeness - management has included in an account or transaction class all items that should be included.
- Rights and obligations - management has only included in asset accounts those items for which the company has a legal right and only included in liability accounts those items for which the company has a legal obligation.

- Valuation or allocation - management has included items in an account or transaction class at the correct amount and those items have been properly summarized.
- Presentation and disclosure - management has properly classified and disclosed all items included in the financial statements.

A description of the supporting evidential matter should be documented in the process memorandum and flow charts. Where practical, evidential matter should be included in the package, otherwise, the organization should include detailed information of where the evidential matter is located. Evidential matter may include, but is not limited to the following:

- 1) Invoices
- 2) Contracts
- 3) Receiving Reports
- 4) Summary Spreadsheets
- 5) Journal Vouchers
- 6) Details for Estimations

Supporting evidential matter should be labeled to show the relationship (audit trail) between numbers in supporting documents and the descriptions (titles) of those documents. Additionally, how amounts are computed to support line items/accounts should be clearly explained.

**2.5 Perform balance verification and reconciliation to determine the validity of balances** *(Note: General Fund will not be able to perform balance reconciliations because command level statements are not available. Until command level statements are developed, FMO will perform reconciliations at the departmental level.)*

**Balance Verification**

To ensure that the total of the detail equals the balance of the line item/account, supporting documentation should be reviewed to determine whether a balance is properly stated. For example, invoices for property and equipment purchases might be reviewed. Additionally, balance verification can be realized by recalculating or recomputing amounts, checking the mathematical accuracy of records by footing or crossfooting, and by tracing journal postings, subsidiary ledger balances, and other details to corresponding general ledger accounts. For example, an organization might recalculate accrued interest from a list of investments, foot the list (whether prepared manually or by computer), and trace the total to the general ledger amount. Obtaining and evaluating documentation from a third party also provides line item/account balance or transaction verification.

**Reconciliation**

A detailed description/flow chart of the reconciliation process should be included in the validation package. The detailed description should describe how the line

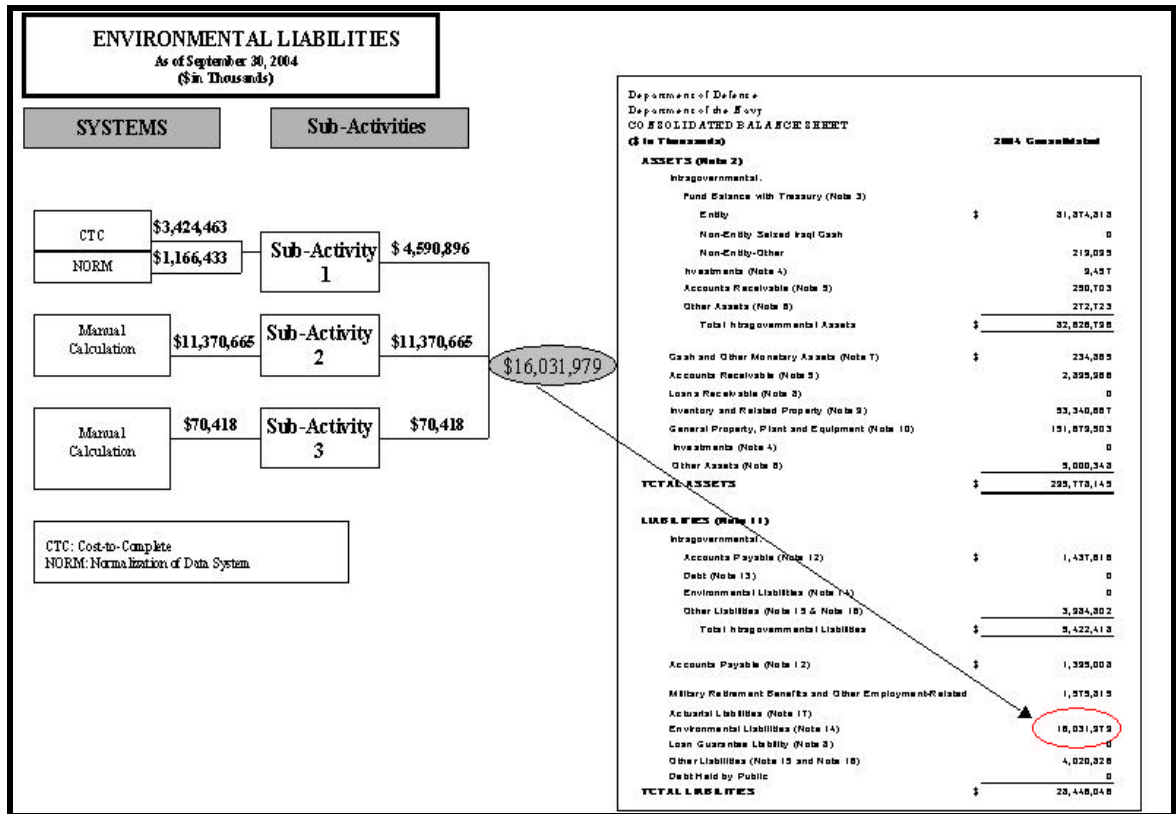
item balance is fully supported by the General Ledger, how the General Ledger is fully supported by the Subsidiary Ledgers, and how each transaction in the Subsidiary Ledgers is supported by the appropriate evidential matter. The description should demonstrate that the data is readily available and should provide POCs for the data. A reconciliation schedule should be performed and maintained to ensure that the total of the detail equals the balance of the line item.

Figure 3 below is a sample reconciliation schedule that shows the reconciliation of the balance sheet line item, the trial balance, Journal Vouchers and Import Sheets, Data Call information via the Data Collection Instrument (DCI), and Summary Spreadsheet.

<b>Environmental Liabilities</b>					
<b>Accrued Environmental Restoration (DERP funded) Costs</b>					
<b>Reconciliation Schedule</b>					
			<b><u>Current Liability</u></b>	<b><u>Noncurrent Liability</u></b>	<b><u>Total</u></b>
					<b><u>Reference</u></b>
<b>Financial Statement - Balance Sheet</b>			516,113	2,616,014	3,132,127
			<i>(in thousands)</i>	<i>(in thousands)</i>	<i>(in thousands)</i>
<b>Trial Balance</b>					
	Navy		516,113,000.00	2,616,014,000.00	3,132,127,000.00
					Trial Balance for Environmental Liabilities
<b>Journal Vouchers and Import Sheets</b>					
	Navy				
		JV 24	(79,117,000.00)	(269,011,000.00)	(348,128,000.00)
					Journal Voucher ID AT17AC1_1804-24
		JV 53	335,841,000.00	(376,424,000.00)	(40,583,000.00)
					Journal Voucher ID AT17AC1_1804-53
		Import Sheet	259,389,000.00	3,261,449,000.00	3,520,838,000.00
		<b>Total</b>	<u>516,113,000.00</u>	<u>2,616,014,000.00</u>	<u>3,132,127,000.00</u>
<b>DCI</b>					
	Navy		516,133,000.00	2,615,994,000.00	DCI - Data Call Report
					Tab 3.A
<b>ER, N Spreadsheet</b>			516,113	2,616,014	3,132,127
			<i>(in thousands)</i>	<i>(in thousands)</i>	<i>(in thousands)</i>
			<b>Reconciliation to Trial Balance</b>		
		DCI Report	516,133,000.00		
		Trial Balance	516,113,000.00		
		<b>Difference</b>	<u>20,000.00</u>	<i>The DCI amount for the current liability was overstated by 20K due to a typo error, which also caused the noncurrent amount of the liability to be understated by 20K. However, the amount on the trial balance agrees with the supporting documentation.</i>	

**Figure 3: Sample Reconciliation Schedule**

The balance mapping spreadsheet in Figure 4 below is another reconciliation sample that shows the relationship between the amounts on the balance sheet, by activity, and by system. This reconciliation process may also serve as an audit trail between system, activity, and financial statement amounts.



**Figure 4: Sample Reconciliation Schedule w/Activities**

**Note:** Auditors will need to review all the documentation associated with the reconciliations. Thus, activities as well as commands, will need to perform and support reconciliations of their transactions to source documents.

## 2.6 Document findings found during balance verification

When accounting errors, deficiencies in internal controls, and/or other issues/problems that may affect the financial statement line item are identified during package compilation the commands/activities and DFAS should develop written findings to assist FMO in understanding the need for taking corrective action. FMO will work with the command/activities and DFAS to determine corrective actions to resolve the issue/problem. These findings will be incorporated in the DON FIP so that planned corrective actions and timeframes to address the issue/problem can be established.

The written finding should answer the following questions:

1. What is the requirement? -- Provide sufficient information so that the reader will be able to determine what is the required or desired state or what is expected from the transaction-related processes, accounting procedures and



operations, and internal control. *Common sources for criteria are laws, regulations, policies, procedures, best or standard practices, or assertions.*

2. What is the issue/problem? – Provide evidence of what was actually found regarding the financial statement situation.
3. What caused the issue/problem? – Provide persuasive evidence on the factor or factors responsible for the difference between the requirement and the issue/problem.
4. What is the effect of the issue/problem? – Provide a clear, logical link to establish the impact of the difference between what was found (issue/problem) and what should be (requirement). *If possible, the effect should be in quantifiable terms. If the results cannot be projected, the finding should be limited to the item tested or identified.*
5. What is the recommended corrective action? – Provide clear actions to be taken to correct the identified issue/problem.

To place the issues/problems in proper perspective, a description of the work performed that resulted in the finding should be provided. In addition, the related assertion and account balance for the financial statement line item being asserted should be provided. Table 5 below is an example of a finding related to a financial statement line item.

**Table 5: Sample Finding**

<b>Finding #1 - 2003 Accrued Unfunded Annual Leave (Note 15.A, Line 2.M)</b>
<p><b>Account Balance:</b> \$2,269,191,420.95</p> <p><b>Related Assertion: Completeness</b></p> <p><b>Description of Work Performed:</b> FMO footed, cross-footed, and recalculated the Accrued Unfunded Annual Leave schedule provided as supporting documentation to substantiate the financial statement account balance. In addition, FMO attempted to trace the total account balance from the trial balance to the supporting documentation. However, during our limited substantive tests the deficiency listed below was found.</p> <p><b>What is the requirement?</b> The summarization of other liability transactions should not be understated.</p> <p><b>What is the issue/problem?</b> The total amount summarized on the accrued leave liability spreadsheet, which is used to record liabilities was not accurately stated. Additionally, appropriate reviews of accounting entries included on summary spreadsheets were not performed or were inadequate. (See workpaper “Accrued Leave Liability Spreadsheet”).</p> <p><b>What caused the issue/problem?</b> The leave amounts for all activities were not properly carried over to the total column on the spreadsheet.</p> <p><b>What is the effect of the issue/problem?</b> Account balance misstatement. Accrued Unfunded Annual Leave is understated by \$1,498,065.</p> <p><b>What is the recommended corrective action?</b> We recommend that DFAS-CL document correction of the summary spreadsheet formula and document any needed adjustments to correct the misstatement. Additionally, we recommend that DFAS-CL perform adequate and appropriate reviews of transactions and accounting entries to include reconciling detailed records that are accurately summarized to the account balance.</p> <p>Spreadsheets prepared by an accounting staff member to support accounting transactions should be reviewed and verified by another staff member to ensure that the spreadsheet calculations are accurately stated. Additionally, after an accounting staff member records the appropriate entry in the accounting system per the spreadsheet, the account balance in DDRS-AFS should be reviewed and verified by another staff member to ensure that the account balance and the supporting documentation agree.</p>

**2.7 Gather applicable system information including FISCAM or SAS 70/88 audit reports or document the applicable system validation requirements in the absence of a FISCAM or SAS 70/88 audit (to be completed by the system owner)**

Include all Financial Information Security Audit Manual Controls (FISCAM) or Statement of Auditing Standard (SAS) 70/88 Audit Reports and point of contact information in the validation package. If no FISCAM / SAS audit has been performed, provide the following:

1. Hardware, Software, and Interfaces: Prepare a description of the major hardware and software of the system(s) identified in the process memorandum and flow chart and interfaces with other systems. The description should include interface descriptions. At a minimum, the location of the document containing this information should be provided.
2. Type of Data Produced: For each system identified in the process flow, describe what type of data the system produces for the financial statements, e.g., accounting transactions. At a minimum, the location of the document containing this information should be provided.
3. Telecom/Network Information: For each system identified in process flow, prepare a description of telecommunications devices and networks used with the system. At a minimum, the location of the document containing this information should be provided.
4. Certifications/Accreditations: Include a copy of the most recent certifications and accreditations of the system for each system identified in the process memorandum and flow chart. For example, this should include the identification of when the last DoD Information Technology Security Certification and Accreditation Process (DITSCAP) certification and accreditation was performed and include a copy of the most recent Systems Security Authorization Agreement (SSAA). At a minimum, the location of the reports, reviews, certifications and accreditations should be provided.
5. System/End User Locations: Identify the system location(s) and end user locations for each system identified in the process memorandum and flow chart. At a minimum, the location of the document containing this information should be provided.
6. Location of Systems Documentation: Identify the location(s) of systems documentation for each system identified in the process flow.
7. Data Type/Summary of Transactions (Number, Type, Dollar Value): For each system identified in the process memorandum and flow chart, identify the type, dollar value, and number of transactions processed in the system in a month and year. In addition, the organization should identify which transactions are material to the financial statement line item being

validated. At a minimum, the location of the document containing this information should be provided.

8. List of Authorized Users: For each system identified in the process flow, list the type of system users. A type of user would be described as a certain category of employees or an organization's activity within an organization. At a minimum, the location of the document containing this information should be provided.
9. List of On-Going or Planned Reviews: If there are any ongoing or planned system reviews, document when the reviews will be complete. Include a copy of the most recent Financial Management Improvement Act (FFMIA) compliance review, DISA readiness reviews, or any other reviews that are ongoing or planned.

## **2.8 Prepare an explanation of actions taken to correct identified deficiencies**

Complete all the corrective actions for the material deficiencies related to the financial statement line item being validated. Provide a statement that identifies which corrective actions have been completed related to deficiencies associated with the financial statement line item. Comprehensive corrective action plans for identified deficiencies that are not part of the DON FIP should be fully documented.

Prepare an explanation of the actions taken to fix previously identified or existing problems and incorporate the explanation in the assertion letter or include as attachment to the letter. Be very specific.

### **Explanation of the Actions Taken:**

A status of all FIP corrective actions related to the line item should be included in the validation package. This requires that organizations provide a summary of the corrective actions completed for all known material weaknesses and reportable conditions related to the financial statement line item or a reference to the FIP which documents the completion of all corrective actions related to the financial statement line item.

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## **3. Assess Internal Control**

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### **3.1 Complete GAO checklist and internal control questionnaire**

Internal control is a collection of cost-effective procedures designed to provide reasonable assurance that an organization's objectives are being achieved, assets are safeguarded, policies are followed, and resources are used economically and efficiently for the purposes intended. Additionally, internal control procedures

should provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements. Internal control is not one event, but a series of actions and activities that occur throughout an agency's organization on an ongoing basis. Internal controls should meet both external financial reporting and performance management objectives. The highlighted area below provides internal control reference information for federal managers.

OMB Circular A-123 states, that agencies and individual Federal managers must take systematic and proactive measures to (i) develop and implement appropriate, cost-effective management control for results-oriented management; (ii) assess the adequacy of management controls in Federal programs and operations; (iii) separately assess and document internal control over financial reporting consistent with the process defined in Appendix A (OMB Circular A-123); (iv) identify needed improvements; (v) take corresponding corrective action; and (vi) report annually on internal control through management assurance statements.

The DON is required to prepare and submit to the Under Secretary of Defense (Comptroller) an annual Statement of Assurance, as required by the Federal Managers' Financial Integrity Act (FMFIA) of 1982. This Statement addresses the management controls and financial management systems of the DON, and makes disclosures required by the FMFIA, including the reporting of business risk and plans to correct them. The Department of Defense (DOD) Directive 5010.38, "Management Control Program," and DOD Instruction 5010.40, "Management Control Program Procedures," direct that the Head of each DOD Component provide to the Secretary of Defense, by November 15 of each year, a Statement of Assurance based on a general assessment of the effectiveness of their management controls.

The United States Government Accountability Office (GAO) / President's Council on Integrity and Efficiency (PCIE) Financial Audit Manual (FAM) includes the tool "Checklist for *Federal Accounting, Reporting, and Disclosures*" (<http://www.gao.gov/special.pubs/gaopcie/fam1050fardchecklist.pdf>).

The checklists and questionnaires are helpful internal control documentation tools that provide a systematic, organized, and structured approach to preparing or reviewing/auditing organization financial statements. These documents should be completed for every applicable financial statement line item.

The detailed questions are to be answered "no," "N/A" (not applicable), or "yes." For some questions, "no" answers might indicate departures from professional standards or from policies. All "no" and "N/A" answers should be explained. It is not necessary to create additional documentation to support the "yes" answers, but a column is provided on the checklist to insert a reference to related documentation ("ref."). The questions are summarized; for most questions, there is a reference to professional literature that provides more detail. Table 6 and 7 shows samples of an internal control questionnaire and checklist, respectively.



**Table 6: Sample Investments Internal Control Questionnaire**

<b>Financial Statement Line Item:</b>		<b>Investments</b>		
<b>Fund Financial Statement (GF or WCF):</b>		<b>Balance Sheet, General Fund</b>		
<b>Line Item Balance (FY 2004) Intragovernmental &amp; NonFederal:</b>		<b>\$ 9,801,000</b>		
<b>Management Assertion 1:</b>		<b>Existence or Occurrence</b>		
<b>Control Objective</b>	<b>Risk of Potential Misstatement</b>	<b>Internal Control Activity</b>	<b>Y, N, N/A</b>	<b>Explanation</b>
1. Recorded investments should be supported by appropriate detailed records that are accurately summarized and reconciled to the account balance.	1.1 Recorded investments are not supported by appropriate detailed records that are accurately summarized and reconciled to the account balance.	1.1.1 Do reconciliations occur between investments subsidiary ledgers and the General Ledger account balances? (DoD FMR Vol. 4, Chapter 3, para. 030601)		
2. Access to investments records should be permitted only in accordance with laws, regulations, and management policy.	2.1 Records are accessible in a manner not permitted by laws, regulations, and management policy.	2.1.1 Do controls exist to ensure access to investments records is in accordance with laws, regulations, and management policy?		
3. Recorded investments transactions, underlying events, and related processing procedures should be authorized by federal laws, regulations, and management policy.	3.1 Investment transactions, underlying events, and related processing procedures are not authorized by federal laws, regulations, and management policy.	3.1.1 Do controls exist to ensure recorded investments transactions, underlying events, and related processing procedures are authorized by federal laws, regulations, and management policy?		
4. Recorded investments transactions should be approved by appropriate individuals in accordance with management's general or specific criteria.	4.1 Recorded investment transactions are not approved by appropriate individuals in accordance with management's general or specific criteria.	4.1.1 Have procedures been established governing the approval of recorded investments transactions?		
5. Recorded investments transactions should represent events that actually occurred and should be properly classified.	5.1 Recorded investment transactions do not represent events that actually occurred leading to improper classification.	5.1.1 Is appropriate supporting documentation for underlying events available that will lead to proper classification? This documentation should be based on initial documentation including receiving reports, bills, of lading, job sheets, etc. Also, more accurate additional documentation should be considered as appropriate. (DoD FMR Vol. 1, Chapter 3, Key Accounting Requirement #5)		

6. Transactions recorded in the current period should represent economic events that occurred during the current period.	6.1 Transactions recorded in the current period do not represent economic events occurring during the current period.	6.1.1 Do controls exist to ensure that investments transactions are recorded on a timely basis?		
7. Controls should be established to prevent any person from having uncontrolled access to both investments and records.	7.1 Controls are not in place to prevent uncontrolled access to both investments and records.	7.1.1 Are responsibilities for initiating, evaluating, and approving investments transactions segregated from those for detail accounting, general ledger, and other related functions?		
		7.1.2 Are responsibilities for maintaining detail investments accounting records segregated from those for general ledger entries?		
		7.1.3 Is the periodic agreement/reconciliation of detailed investments accounting records to the general ledger records reviewed by a person independent of investments management and accounting functions?		
		7.1.4 Is the "U.S. Treasury Securities Issued by Public Debt" account balance reconciled with the trust fund portfolios periodically, at least annually?		
<b>Management Assertion 2: Completeness</b>				
<b>Control Objective</b>	<b>Risk of Potential Misstatement</b>	<b>Internal Control Activity</b>	<b>Y, N, N/A</b>	<b>Explanation</b>
1. All accounts related to investments should be included in the financial statements. All investments should be disclosed.	1.1 Certain accounts related to investments are not included in the financial statements or disclosed properly.	1.1.1 See internal control activity for assertion #1, control objective #1 and #5.		
2. All valid investments transactions should be recorded and properly classified.	2.1 Certain investments transactions are not recorded and properly classified.	2.1.1 See internal control activities for assertion #1, control objectives #1, and #3 - #5.		
3. The summarization of investments transactions should not be understated.	3.1 The summarization of investment transactions are understated.	3.1.1 Are all transactions must be traced to individual source records? (DoD FMR Vol. 1, Chapter 14, Key Accounting Requirement #8)		



<b>Management Assertion 3: Valuation or Allocation</b>				
<b>Control Objective</b>	<b>Risk of Potential Misstatement</b>	<b>Internal Control Activity</b>	<b>Y, N, N/A</b>	<b>Explanation</b>
1. Investments included in the financial statements should be valued on an appropriate valuation basis.	1.1 Investments included in the financial statements are not valued on an appropriate valuation basis.	1.1.1 See internal control activity for assertion #1, control objective #5.		
2. Investments transactions should be recorded at correct amounts.	2.1 Investments transactions are not recorded at correct amounts	2.1.1 See internal control activities for assertion #2, control objective #2.		
		2.1.2 See internal control activities for assertion #1, control objective #1.		
<b>Management Assertion 4: Rights and Obligations</b>				
<b>Control Objective</b>	<b>Risk of Potential Misstatement</b>	<b>Internal Control Activity</b>	<b>Y, N, N/A</b>	<b>Explanation</b>
1. Recorded investments should be owned by the entity.	1.1 Investments transactions are either not owned by the DON component or ownership status is unclear.	1.1.1 Does management policy include a provision for periodic inspection or confirmation of investments?		
2. Investments should be the entity's rights at a given date.	2.1 Investments do not represent the entity's rights as of a given date.	2.1.1 See internal control activity for assertion #1, control objective #3.		
<b>Management Assertion 5: Presentation and Disclosure</b>				
<b>Control Objective</b>	<b>Risk of Potential Misstatement</b>	<b>Internal Control Activity</b>	<b>Y, N, N/A</b>	<b>Explanation</b>
1. Investments accounts should be properly classified and described in the financial statements.	1.1 Investments accounts are not properly classified and described in the financial statements.	1.1.1 See internal control activities for assertion #1, control objective #1, #3, and #4.		
2. Accounting principles related to investments are applied consistently from period to period.	2.1 Accounting principles related to investments are not applied consistently from period to period.	2.1.1 Have procedures been established to ensure that federal generally accepted accounting principles related to investments are applied consistently from period to period?		
3. The financial statements or footnotes thereto should contain all information required to be disclosed for investments.	3.1 The financial statements or footnotes thereto do not contain all information required to be disclosed for investments.	3.1.1 Do controls exist to ensure the financial statements/footnotes contain all information required by the Department of Defense Financial Management Regulation; Form and Content (Office of Management and Budget Bulletin No. 01-09); and other authoritative federal accounting literature?		

**Table 7: Sample GAO/PCIE FAM “Checklist for Federal Accounting, Reporting, and Disclosures” (with revisions)**

<i>Assets Investments</i>	<i>Yes, No or N/A</i>	<i>Explanation</i>
<i>Investments in federal (i.e., Treasury) securities include (1) nonmarketable par value Treasury securities, (2) market-based Treasury securities expected to be held to maturity, (3) marketable Treasury securities expected to be held to maturity, and (4) securities issued by other federal organizations. Nonfederal securities include those issued by state and local governments, private corporations, and government-sponsored enterprises. (SFFAS 1, par. 62; OMB Bulletin 01-09, p. 20, section 3.3)</i>		
Are investments in federal securities reported separately from investments in nonfederal securities? (SFFAS 1, par. 67; OMB Bulletin 01-09, p. 20, section 3.3)		
Are investments in federal securities initially recorded and reported at their acquisition cost or amortized acquisition cost (less an allowance for losses, if any)? (SFFAS 1, par. 68 & 69; OMB Bulletin 01-09, p. 20, section 3.3)		
Are investments in federal securities acquired in exchange for nonmonetary assets recognized at the fair market value of either the securities acquired or the assets given up, whichever is more definitively determinable? (SFFAS 1, par. 68)		
Subsequent to acquisition, are investments in federal securities reported at their carrying amount (i.e., acquisition cost) adjusted for amortized premium or discount? (SFFAS 1, par. 70-71; OMB Bulletin 01-09, pp. 59 & 60, section 9.5)		
Is the interest method (i.e., effective interest rate multiplied by the carrying amount) used in amortizing the premium or discount over the life of the treasury security? (SFFAS 1, par. 71)		
Is the market value of market-based and marketable securities disclosed? (SFFAS 1, par. 72; OMB Bulletin 01-09, pp. 59 & 60, section 9.5)		

<i>Assets Investments</i>	<i>Yes, No or N/A</i>	<i>Explanation</i>
Are investments grouped by type of security, such as marketable or market-based Treasury securities? (SFFAS 1, par. 72)		
Are investment securities, which are initially expected to be held to maturity, reclassified as securities available for sale or early redemption, if significant unforeseeable circumstances cause a change in the organization's intent or ability to hold these securities to maturity? (SFFAS 1, par. 72 & 73; OMB Bulletin 01-09, pp. 59 & 60, section 9.5)		
If so, is the market value of such securities disclosed? (SFFAS 1, par. 72 & 73; OMB Bulletin 01-09, pp. 59 & 60, section 9.5)		
Does the organization disclose any other information relative to understanding the nature of reported investments, such as permanent impairments? (OMB Bulletin 01-09, p. 60, section 9.5, item B)		

### **3.2 Identify and document risk in the business process memorandum and flow chart**

Within each business process risk of a potential misstatement may exist. Asking the following questions may help to identify risks:

- What must go right for proper reporting?
- How could we fail to report accurately?
- What could go wrong in the process?
- What processes require the most judgment?
- What processes are most complex?
- How do we know whether we are achieving our objectives?
- Where are our vulnerable areas?

Risk should be documented in the memorandum and each risk point should be clearly indicated by number within the appropriate business process on the corresponding flow chart. The internal control questionnaire can be helpful in determining risk of a potential misstatement for a financial statement line item.

### **3.3 Identify and document control activities in the business process memorandum and flow chart**

For each risk identified in the business process a control activity to mitigate the risk should be identified and documented in the memorandum and flow chart. Determine how the risk should be managed and decide what actions are necessary to mitigate the risk.

### **3.4 Document the assessment of internal control using the internal control assessment worksheet**

Organization managers need to continually assess and evaluate their internal control structure to assure that it is adequately operated, appropriately updated, and whether objectives are being achieved. Additionally, managers need to examine internal control to determine performance, necessary improvements, and whether it helps identify and address major risks for fraud, waste, abuse, and mismanagement.

The internal control assessment worksheet below was modeled after the Account Risk Analysis and Specific Control Evaluation tools that are part of the Financial Audit Manual (FAM) developed by the U.S. Government Accountability Office (formerly, General Accounting Office (GAO)) and the President's Council on Integrity and Efficiency (PCIE).

Completing an internal control assessment for validation purposes will be useful as it relates to the achievement of objectives in the three major control categories: 1) effectiveness and efficiency of operations 2) reliability of financial reporting and 3) compliance with laws and regulations.

The Internal Control Assessment Worksheet in Table 8 presents the results of an internal control assessment. The title and description of each column in the worksheet appear in Table 9 below.

**Table 8: Sample Internal Control Assessment Worksheet**

Internal Control Assessment Worksheet						
<b>FINANCIAL STATEMENT LINE ITEM:</b>		Investments				
<b>FINANCIAL STATEMENT:</b>		Balance Sheet, DON General Fund				
<b>LINE ITEM BALANCE (as of Sep. 30, 2003):</b>		\$9,801,000				
<b>ACCOUNTS:</b> 1610, Investments in U.S. Treasury Securities Issued by the Bureau of the Public Debt						
1612, Premium on U.S. Treasury Securities Issued by the Bureau of the Public Debt						
1613, Amortization of Discount/Premium on U.S. Treasury Securities Issued by the Bureau of the Public Debt						
Assertions and Risks	Control Risk Factors	Transaction-Related Process	Effectiveness of Control Activities	Control Risk	Nature & Extent of Tests	Workpaper Title
<b>Existence or Occurrence.</b> Investments do not exist at a given date, and recorded investment transactions have not occurred during a given period.	No significant control risk factors identified.	Acquisition	Effective	Low	Traced account balance back to source documentation.	
<b>Completeness.</b> Investment transactions and accounts have been omitted from the financial statements or are incomplete.	No significant control risk factors identified.	AFS Reporting	Effective	Low	Confirmed investments with U.S. Treasury.	
<b>Valuation or Allocation.</b> Investments have not been included in the financial statements at appropriate amounts.	No significant control risk factors identified.	Periodic Reconciliation	Effective	Low	(1) Verified accuracy of source data. (2) Recalculated interest income and amortized premium/discount.	
<b>Rights.</b> DON does not have certain rights to investments.	No significant control risk factors identified.	Allotment Authority	Effective	Low	(1) Reviewed supporting documentation. (2) Reviewed footnote disclosure.	
<b>Presentation and Disclosure.</b> Investments have not been properly classified, described, and/or disclosed.	No significant control risk factors identified.	AFS Reporting	Effective	Low	(1) Determined appropriateness of footnote disclosures. (2) Reviewed accounting principles used.	

**Note:** The internal control assessment sample provides a high-level description of the nature and extent of tests performed. Internal control assessments should be as detailed as possible. Training and/or contractor support will be available to assist with internal control assessment.

**Table 9: Internal Control Assessment Titles and Descriptions**

COLUMN TITLE	COLUMN DESCRIPTION
Assertions / Risks	The five management representations embodied in the DON financial statements and the associated control risks.
Control Risk Factors	<p>Internal or external factors that are more likely than not to influence the effectiveness of the organization’s control environment. Control risk factors are “significant” if they are more likely than not to result in material weaknesses or reportable conditions. (Note: Risk factors in the organization’s control environment should be considered when they affect the organization’s and/or DON general ledger accounting and financial reporting processes.)</p> <p>The Internal Control Questionnaire can be used to determine control risk factors that exist in the absence of related internal control activities. For example, if a risk of a potential misstatement is identified and there is no control activity in place to mitigate the risk, a control risk factor should be identified on the Internal Control Assessment Worksheet. Additionally, the GAO checklist may be useful in determining control risk factors.</p>
Transaction-Related Process	Various control activities take place within a transaction-related process. Identify the transaction-related process in which the control activities being assessed takes place.
Effectiveness of Control Activities	<p>The effectiveness of the organization’s internal control activities to prevent or detect material misstatements in an assertion. The effectiveness of control activities is assessed at one of three levels based on the assessed levels of control risk:</p> <ul style="list-style-type: none"> <li>• <b>Effective</b> –control risk are “low:” substantial reliance on internal control is warranted.</li> <li>• <b>Moderately Effective</b> – control risk “moderate:” moderate reliance on internal control is warranted.</li> <li>• <b>Ineffective</b> – control risk is “high:” no reliance on internal control is warranted.</li> </ul>
Control Risk	<p>The risk that material misstatements will not be prevented or detected by the organization’s internal control activities. Control risk is assessed at one of three levels based on the number of findings (i.e., material weaknesses or reportable conditions):</p> <ul style="list-style-type: none"> <li>• <b>Low</b> – controls <u>will</u> prevent or detect misstatements that could occur in an assertion.</li> <li>• <b>Moderate</b> – controls will <u>more likely than not</u> prevent or detect misstatements that could occur in an assertion.</li> <li>• <b>High</b> – controls will <u>more unlikely than likely</u> prevent or detect misstatements that could occur in an assertion.</li> </ul> <p>(Description of assessed levels can be found in <i>GAO/PCIE FAM</i>, July 2001, page 370-2.)</p>
Nature & Extent of Tests	Describe the nature and extent of test performed to determine effectiveness of internal control.
Workpaper Title	Reference to documentation that supports the organization’s internal control assessment.

**3.5 Document findings found during internal control assessment and prepare an explanation of actions taken to correct the deficiencies**

Refer to sections 2.6 and 2.8 for finding requirements and corrective action explanations.

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## **4. Submit Package for Validation**

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**4.1 Send completed package to FMO**

Each validation package should be organized into the following sections to support the required package structure for delivery to DoDIG. This format was prescribed by OUSD(C) for standardization of validation packages.

<b>TAB/ SECTION</b>	<b>PACKAGE INFORMATION</b>
<b>1</b>	<ul style="list-style-type: none"><li>• <b>Directives</b> (see section 1.2)</li><li>• <b>Business Process Memorandum and Flow Chart(s)</b> (see sections 2.2, 3.2, and 3.3)</li><li>• <b>Internal Control Questionnaire(s)</b> (see section 3.1)</li><li>• <b>GAO Checklist(s)</b> (see section 3.1)</li><li>• <b>Internal Control Assessment</b> (see section 3.4)</li></ul>
<b>2</b>	<ul style="list-style-type: none"><li>• <b>General Ledger Transaction Detail Information</b> (at a minimum, include detailed information of where the General Ledger Transaction data is located) (see 2.4)</li><li>• <b>Balance Verification and Reconciliation(s)</b> (see section 2.5)</li></ul>
<b>3</b>	<ul style="list-style-type: none"><li>• <b>Evidential Matter</b> (at a minimum, include detailed information of where the evidential matter is located) (see section 2.4)</li></ul>
<b>4</b>	<i>Not Applicable to Commands/Activities and DFAS (Leave a Placeholder)</i>
<b>5</b>	<ul style="list-style-type: none"><li>• <b>Explanation of Corrective Actions Taken</b> (see section 2.8)</li></ul>
<b>6</b>	<ul style="list-style-type: none"><li>• <b>Findings</b> (see 2.6 and 3.5)</li><li>• <b>Summary of Corrective Actions Taken</b> (see section 2.8)</li></ul>
<b>7</b>	<ul style="list-style-type: none"><li>• <b>Organization Chart(s)</b> (see section 2.3)</li><li>• <b>Point of Contact List</b> (see section 2.3)</li></ul>
<b>8</b>	<ul style="list-style-type: none"><li>• <b>FISCAM and SAS 70/88 Audit Date(s) and Point of Contacts Information</b> (see section 2.7)</li></ul>
<b>9</b>	<ul style="list-style-type: none"><li>• <b>FISCAM and SAS 70/88 Audit Reports</b> (see section 2.7)</li></ul>
<b>10</b>	<ul style="list-style-type: none"><li>• <b>Hardware, Software, and Interfaces</b> (see section 2.7 #1)</li></ul>
<b>11</b>	<ul style="list-style-type: none"><li>• <b>Type of Data Produced</b> (see section 2.7 #2)</li></ul>

<b>12</b>	• <b>Telecom/Network Information</b> (see section 2.7 #3)
<b>13</b>	• <b>Certifications/Accreditations</b> (see section 2.7 #4)
<b>14</b>	• <b>System/End User Locations</b> (see section 2.7 #5)
<b>15</b>	• <b>Location of Systems Documentation</b> (see section 2.7 # 6)
<b>16</b>	• <b>Data Type/Summary of Transactions (Number, Type, Dollar Value)</b> (see section 2.7 #7)
<b>17</b>	• <b>List of Authorized Users (at a minimum, include detailed information of where the list is located)</b> (see section 2.7 #8)
<b>18</b>	• <b>List of On-Going or Planned Reviews</b> (see section 2.7 #9)

The method of delivery to FMO will be provided through separate correspondence. For further assistance, the following email address may be used to submit questions regarding validation guidance.

DON\_FIP@navy.mil

### **III. Validation Package Indexing**

All documents included in the validation package must be labeled. Document titles are necessary to provide an easy reference for the reviewers and to identify specific work completed by the organization. Titles also provide a control to identify lost or misplaced documents. References between documents should be clearly identified on each document by its appropriate title.



## Appendix A: Recent Audit Reports, Laws, Rules and Regulations

Line Item	Policy, Laws, and Regulations	Audit Reports
<b>Fund Balance With Treasury</b>	<ol style="list-style-type: none"> <li>FBWT Reconciliation Procedures Supplement to the Treasury. Treasury Financial Manual I TFM 2-5100, November 1999, page 8, section F, Undisbursed Appropriation Account Ledger  <a href="http://www.fms.treas.gov/tfm/vol1/supplements/v1p2c510/v1p2c510.pdf#search='fms%206653'">http://www.fms.treas.gov/tfm/vol1/supplements/v1p2c510/v1p2c510.pdf#search='fms%206653'</a></li> <li>DoD Financial Management Regulation, Volume 6B, Chapter 10, paragraph 100501  <a href="http://www.dod.mil/comptroller/fmr/">http://www.dod.mil/comptroller/fmr/</a></li> </ol>	<ol style="list-style-type: none"> <li>DoD IG: Adjustments to the Intergovernmental Payments Account (D-2003-034), December 10, 2002.  <a href="http://www.dodig.osd.mil/audit/reports/fy03/03-034.pdf">http://www.dodig.osd.mil/audit/reports/fy03/03-034.pdf</a></li> <li>NAS: Department of the Navy's Fund Balance with Treasury Account (FOUO), October 19, 2004  <a href="http://www.hq.navy.mil/NavalAudit/">http://www.hq.navy.mil/NavalAudit/</a></li> <li>DoD IG: Controls Over DoD Closed Appropriations (D-2003-133), September 15, 2003  <a href="http://www.dodig.osd.mil/audit/reports/fy03/03-133.pdf">http://www.dodig.osd.mil/audit/reports/fy03/03-133.pdf</a></li> </ol>
<b>Investments</b>	<ol style="list-style-type: none"> <li>DoD Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1006  <a href="http://www.dod.mil/comptroller/fmr/">http://www.dod.mil/comptroller/fmr/</a></li> </ol>	
<b>Accounts Receivable</b>	<ol style="list-style-type: none"> <li>DoD Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1007  <a href="http://www.dod.mil/comptroller/fmr/">http://www.dod.mil/comptroller/fmr/</a></li> </ol>	<ol style="list-style-type: none"> <li>NAS: Fiscal Year 2002 Department of the Navy General Fund Reimbursable Transactions at Selected Activities, May 27, 2004  <a href="http://www.hq.navy.mil/NavalAudit/">http://www.hq.navy.mil/NavalAudit/</a></li> </ol>
<b>Other Assets</b>	<ol style="list-style-type: none"> <li>Federal Acquisition Regulation parts 32 (Contract Financing), 48 (Value Engineering), and 52 (Solicitation Provisions and Contract Clauses)  <a href="http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/Far1toc.htm#TopOfPage">http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/Far1toc.htm#TopOfPage</a></li> <li>5 CFR Part 1315, "Prompt Payment" <a href="http://www.fms.treas.gov/prompt/5cfr1315.txt">http://www.fms.treas.gov/prompt/5cfr1315.txt</a></li> <li>DoD Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1008  <a href="http://www.dod.mil/comptroller/fmr/">http://www.dod.mil/comptroller/fmr/</a></li> </ol>	
<b>Cash and Other Monetary Assets</b>	<ol style="list-style-type: none"> <li>SF 1219, Statement of Accountability, Guidance: DoD Financial Management Regulation, Volume 5, Chapter 22 <a href="http://www.dod.mil/comptroller/fmr/">http://www.dod.mil/comptroller/fmr/</a>  DoD Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1009  <a href="http://www.dod.mil/comptroller/fmr/">http://www.dod.mil/comptroller/fmr/</a></li> </ol>	

Line Item	Policy, Laws, and Regulations	Audit Reports
<b>Loans Receivable</b>	<ol style="list-style-type: none"> <li>National Defense Authorization Act for FY 1996, Public Law 104-106 Stat. 186 Section 2801  <a href="http://lcweb2.loc.gov/law/usa/us040106.pdf#search='Public%20Law%20104106'">http://lcweb2.loc.gov/law/usa/us040106.pdf#search='Public%20Law%20104106'</a>  Federal Credit Reform Act of 1990 <a href="http://www.fms.treas.gov/ussgl/creditreform/fcra.html">http://www.fms.treas.gov/ussgl/creditreform/fcra.html</a> </li> </ol>	
<b>Inventory and Related Property</b>	<ol style="list-style-type: none"> <li>DoD Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1010  <a href="http://www.dod.mil/comptroller/fmr/">http://www.dod.mil/comptroller/fmr/</a> </li> <li>Statement of Federal Financial Accounting Standards (SFFAS) No. 3 "Accounting For Inventory and Related Property" <a href="http://www.fasab.gov/pdffiles/sffas-3.pdf">http://www.fasab.gov/pdffiles/sffas-3.pdf</a> </li> <li>USD(C) Memo, "Accounting for Excess, Unserviceable, and Obsolete Inventory and Operating Materials and Supplies" August 12, 2002 <a href="http://www.dod.mil/comptroller">http://www.dod.mil/comptroller</a> </li> <li>DoD Financial Management Regulation, Volume 6B, Chapter 10, paragraph 101107  <a href="http://www.dod.mil/comptroller/fmr/">http://www.dod.mil/comptroller/fmr/</a> </li> </ol>	<ol style="list-style-type: none"> <li>NAS: Unliquidated Obligations for the Research, Development, Test, and Evaluation, Navy Appropriation, April 13, 2004 <a href="http://www.hq.navy.mil/NavalAudit/">http://www.hq.navy.mil/NavalAudit/</a> </li> <li>DoD IG: Accountability and Control of Materiel at the Naval Air Depot, Jacksonville (D-2003-057), March 5, 2003  <a href="http://www.dodig.osd.mil/audit/reports/fy03/03-057.pdf">http://www.dodig.osd.mil/audit/reports/fy03/03-057.pdf</a> </li> <li>NAS: Logistics Feeder Systems Supporting Operating Materials and Supplies Data of the Navy's Fiscal Year 2002 Financial Statements, April 2, 2004  <a href="http://www.hq.navy.mil/NavalAudit/">http://www.hq.navy.mil/NavalAudit/</a> </li> <li>DoD IG: Naval Supply Systems Command Revaluation of Inventory to Latest Acquisition Cost (D-2003-039), December 31, 2002  <a href="http://www.dodig.osd.mil/audit/reports/fy03/03-039.pdf">http://www.dodig.osd.mil/audit/reports/fy03/03-039.pdf</a> </li> <li>DoD IG: Naval Air Systems Command Financial Reporting of Non-Ammunition Operating Material and Supplies for FY 2002 (D-2003-020), November 8, 2002  <a href="http://www.dodig.osd.mil/audit/reports/fy03/03-020.pdf">http://www.dodig.osd.mil/audit/reports/fy03/03-020.pdf</a> </li> <li>DoD IG: Naval Ammunition Logistics Center Financial Reporting of Ammunition and Other Ordnance Assets in Operating Materials and Supplies for FY 2002 (D-2003-017), October 30, 2002 </li> </ol>

Line Item	Policy, Laws, and Regulations	Audit Reports
		<a href="http://www.dodig.osd.mil/audit/reports/fy03/03-017.pdf">http://www.dodig.osd.mil/audit/reports/fy03/03-017.pdf</a>
<b>General Property, Plant and Equipment</b>	<ol style="list-style-type: none"> <li>1. Statement of Federal Financial Accounting Standards No. 23, "Eliminating the Category National Defense Property, Plant, and Equipment" <a href="http://www.fasab.gov/pdffiles/sffas-23.pdf">http://www.fasab.gov/pdffiles/sffas-23.pdf</a></li> <li>2. DoD Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1012 <a href="http://www.dod.mil/comptroller/fmr/">http://www.dod.mil/comptroller/fmr/</a></li> </ol>	<ol style="list-style-type: none"> <li>1. DoD IG: Financial Reporting of Deferred Maintenance Information on Navy Weapons Systems for FY 2002 (D-2003-058), March 6, 2003 <a href="http://www.dodig.osd.mil/audit/reports/fy03/03-058.pdf">http://www.dodig.osd.mil/audit/reports/fy03/03-058.pdf</a></li> </ol>
<b>Accounts Payable</b>	<ol style="list-style-type: none"> <li>1. DoD Financial Management Regulation, Volume 4, Chapter 9 <a href="http://www.dod.mil/comptroller/fmr/">http://www.dod.mil/comptroller/fmr/</a></li> </ol>	<ol style="list-style-type: none"> <li>1. NAS: Erroneous Payments Made to Navy Vendors, December 2, 2004 <a href="http://www.hq.navy.mil/NavalAudit/">http://www.hq.navy.mil/NavalAudit/</a></li> <li>2. DoD IG: Allegation of Improper Accounting for Direct Billable Hours by the Defense Finance and Accounting Service (D-2003-127), August 28, 2003 <a href="http://www.dodig.osd.mil/audit/reports/fy03/03-127.pdf">http://www.dodig.osd.mil/audit/reports/fy03/03-127.pdf</a></li> <li>3. DoD IG: Accounting for Reimbursable Work Orders at Defense Finance and Accounting Service Charleston (D-2003-095), June 4, 2003 <a href="http://www.dodig.osd.mil/audit/reports/fy03/03-095.pdf">http://www.dodig.osd.mil/audit/reports/fy03/03-095.pdf</a></li> <li>4. GAO: Navy Working Capital Fund: Backlog of Funded Work at the Space and Naval Warfare Systems Command Was Consistently Understated, GAO-03-668, July 1, 2003 <a href="http://www.gao.gov/new.items/d03668.pdf">http://www.gao.gov/new.items/d03668.pdf</a></li> <li>5. GAO: DOD Contract Management: Overpayments Continue and Management and Accounting Issues Remain, GAO-02-635, May 30, 2002 <a href="http://www.gao.gov/new.items/d02635.pdf">http://www.gao.gov/new.items/d02635.pdf</a></li> <li>6. GAO: Purchase Cards: Navy is Vulnerable</li> </ol>

Line Item	Policy, Laws, and Regulations	Audit Reports
		to Fraud and Abuse but Is Taking Action to Resolve Control Weaknesses, GAO-02-1041, September 27, 2002 <a href="http://www.gao.gov/new.items/d021041.pdf">http://www.gao.gov/new.items/d021041.pdf</a>
<b>Debt</b>	1. DoD Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1015 <a href="http://www.dod.mil/comptroller/fmr/">http://www.dod.mil/comptroller/fmr/</a>	
<b>Environmental Liabilities</b>	1. DoD Instruction 5000.61, "DoD Modeling and Simulation (M&S) Verification, Validation, and Accreditation (VV&A)," 5/13/2003 <a href="http://www.dtic.mil/whs/directives/corres/html/500061.htm">http://www.dtic.mil/whs/directives/corres/html/500061.htm</a> 2. National Environmental Policy Act of 1970 <a href="http://ceq.eh.doe.gov/nepa/regs/nepa/nepaeqia.htm">http://ceq.eh.doe.gov/nepa/regs/nepa/nepaeqia.htm</a> 3. Hazardous & Solid Waste Amendments of 1984 (Public Law (PL) 96-482 <a href="http://www.faa.gov/programs/en/impact/impactheaders/hazmat.cfm">http://www.faa.gov/programs/en/impact/impactheaders/hazmat.cfm</a> 4. Atomic Energy Act of 1954 <a href="http://epw.senate.gov/envlaws/atomic54.pdf#search='atomic%20energy%20act%20of%201954'">http://epw.senate.gov/envlaws/atomic54.pdf#search='atomic%20energy%20act%20of%201954'</a> 5. Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) <a href="http://assembler.law.cornell.edu/uscode/html/uscode42/usc_sup_01_42_10_103.html">http://assembler.law.cornell.edu/uscode/html/uscode42/usc_sup_01_42_10_103.html</a> 6. DoD Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1016 <a href="http://www.dod.mil/comptroller/fmr/">http://www.dod.mil/comptroller/fmr/</a>	
<b>Other Liabilities</b>	1. Contract Disputes Act of 1978 (CDA), 41 USC §§601-613 <a href="http://www.law.cornell.edu/uscode/html/uscode41/usc_sup_01_41_10_9.html">http://www.law.cornell.edu/uscode/html/uscode41/usc_sup_01_41_10_9.html</a> 2. DoD Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1017 <a href="http://www.dod.mil/comptroller/fmr/">http://www.dod.mil/comptroller/fmr/</a>	
<b>Military Retire Benefits &amp; Other Liabilities</b>	1. DoD Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1019 <a href="http://www.dod.mil/comptroller/fmr/">http://www.dod.mil/comptroller/fmr/</a>	1. NAS: The Department of the Navy's Fiscal Year 2003 General Fund and Working Capital Fund Consolidated Balance Sheet Line - Military Retirement Benefits and Other Employment Related Actuarial Liabilities (Audit Report N2004-0038), April 13 2004 <a href="http://www.hq.navy.mil/NavalAudit/">http://www.hq.navy.mil/NavalAudit/</a>

## Appendix B: USSGL Accounts and Definitions

### Working Capital Fund

Working Capital Fund				
Account Number	DDRS Line Item Attribute	USSGL Account Title	USSGL Account Description	Normal Balance
1010	Revolving Funds	Fund Balance with Treasury	The aggregate amount of funds on deposit with Treasury, excluding seized cash deposited. Fund balance with Treasury (FBWT) is increased by (1) receiving appropriations, reappropriations, continuing resolutions, appropriation restorations, and allocations; and (2) receiving transfers and reimbursements from other agencies. It also is increased by amounts borrowed from Treasury, Federal Financing Bank, or other entities, and amounts collected and credited to appropriation or fund accounts. FBWT is reduced by (1) disbursements made to pay liabilities or to purchase assets, goods, and services; (2) investments in U.S. securities (securities issued by Treasury or other Federal Government agencies); (3) cancellation of expired appropriations; (4) transfers and reimbursements to other entities or to the Treasury, and (5) sequestration or rescission of appropriations. (See USSGL account 1532, "Seized Cash Deposited.")	Debit
1310		Accounts Receivable	Amounts due from others when the right to receive funds accrued. This may result from the performance of services, the delivery of goods, or court-ordered assessment.	Debit
1410		Advances to Others	Payments made in contemplation of the future performance of services, receipt of goods, incurrence of expenditures, or receipt of other assets. Common examples are travel advances made in contemplation of future travel expenses or advances to contractors made in contemplation of future receipt of inventory or fixed assets.	Debit
1450		Prepayments	Expenditures that provide future benefits. Prepayments are often recurrent in nature and cover items such as rent, taxes, royalties, commissions, insurance, and supplies.	Debit
1511		Operating Materials and Supplies Held for Use	The cost or value of tangible personal property, such as operating materials and supplies that will be consumed in normal operations.	Debit
1512		Operating Materials and Supplies Held in Reserve for Future Use	The cost or value of tangible personal property, such as operating materials and supplies, held in reserve because it is not readily available or because it will be needed.	Debit
1521		Inventory Purchased for Resale	The cost or value of tangible personal property purchased by an agency for resale.	Debit
1523		Inventory Held for Repair	The cost or value of damaged tangible personal property held as inventory that is more economical to repair than to dispose of.	Debit
1524		Inventory -Excess,	The cost or value of tangible personal property held as inventory that exceeds the demand for sale,	Debit

Working Capital Fund				
Account Number	DDRS Line Item Attribute	USSGL Account Title	USSGL Account Description	Normal Balance
		Obsolete, and Unserviceable	is no longer useful because of obsolescence, or is damaged beyond economical repair.	
1526		Inventory - Work-in-Process	The accumulated cost or value of inventory used in the production process. Work-in- process inventory includes the cost of raw materials, direct labor, and overhead.	Debit
1527		Inventory – Finished Goods	The accumulated cost or value of completed products.	Debit
1529		Inventory - Allowance	The amount of estimated cost to repair damaged inventory and the estimated gain or loss on the value of inventory because of unrealized holding gains or losses.	Credit
1711		Land & Land Rights	The identifiable cost of land and land rights of unlimited duration acquired for or in connection with general property, plant, and equipment used in general operations and permanent improvements. Stewardship land (National Park or Forest and land in public domain) and materials beneath or above the surface and Outer Continental Shelf resources are excluded.	Debit
1720		Construction-in-Progress	Includes costs of direct labor, direct material, and overhead incurred in the construction of general property, plant, and equipment (except information technology software) for which the agency will be accountable. Upon completion, these costs will be transferred to the proper capital asset account as the acquisition cost of the item.	Debit
1730		Buildings, Improvements, & Renovations	The cost of Federal Government-owned buildings acquired for and used in providing general Federal Government services or goods. Includes the cost of renovation, improvement, restoration, or reconstruction of multi-use heritage assets when those costs are directly tied to the conduct of Federal Government operations.	Debit
1739		Accumulated Depreciation on Buildings, Improvements, and Renovations	Accumulates depreciation charged to expense for buildings, improvements, and renovations.	Credit
1740		Other Structures and Facilities	The cost or appraised value of Federal Government-owned structures and facilities other than buildings purchased by general and trust fund appropriations and under agency control.	Debit
1749		Accumulated Depreciation on Other Structures and Facilities	Accumulates depreciation charged to expense for structures and facilities.	Credit
1750	General Equipment	Equipment	The capitalized cost of tangible equipment items of a durable nature used by the agency in providing goods and services. This excludes computer software.	Debit
1759	General Equipment	Accumulated	Accumulates depreciation charged to expense for equipment.	Credit

Working Capital Fund				
Account Number	DDRS Line Item Attribute	USSGL Account Title	USSGL Account Description	Normal Balance
		Depreciation on Equipment		
1820		Leasehold Improvements	The cost of improvements to leased land, buildings, structures, and facilities occupied by the Federal Government as a lessee, as well as easements and right-of-way.	Debit
1829		Accumulated Amortization on Leasehold Improvements	Accumulates amortization charged to expense for leasehold improvements.	Credit
1830		Internal-Use Software	The capitalized cost of internal-use software including (1) purchased off-the-shelf software, (2) contractor-developed software subject to amortization, and (3) internally developed software subject to amortization.	Debit
1839		Accumulated Amortization on Internal-Use Software	Accumulates amortization charges to expense for internal-use software. Internal-use software will be amortized in a systematic and rational manner over the estimated useful life of the software. Software acquired for research and development with no alternative future use will be amortized over the period of the project as opposed to the normal life-cycle amortization.	Credit
1890		Other General Property, Plant, and Equipment	The value of general property, plant, and equipment not otherwise classified above.	Debit
1990		Other Assets	Other assets not otherwise classified above.	Debit
2110		Accounts Payable	Amounts owed to another Federal or non-Federal entity for goods and other property ordered and received, and for services rendered by other than employees.	Credit
2120		Disbursements in Transit	The amounts of voucher schedule payments transmitted to the regional disbursing office for payment but not processed by the regional disbursing office.	Credit
2130		Contract Holdbacks	The amounts withheld from grantees or contractors pending completion of related contracts.	Credit
2140	Debt to Federal Financing Bank	Accrued Interest Payable	Amount of interest accrued and owed to others.	Credit
2190		Other Accrued Liabilities	Amounts of liabilities not otherwise classified above.	Credit
2210		Accrued Funded Payroll and Leave	The estimated liability for salaries, wages, and funded annual leave and sick leave that have been earned but are unpaid. (Refer to FASAB's Selected Assets and Liability Standard, number 1, paragraph 84.)	Credit
2213	Health Benefits	Employer Contributions and Payroll Taxes Payable	The employer portion of payroll taxes and benefit contributions, such as retirement, including the agency's contribution to the Thrift Savings Plan ("N" attribute), and health and life insurance for covered employees.	Credit

Working Capital Fund				
Account Number	DDRS Line Item Attribute	USSGL Account Title	USSGL Account Description	Normal Balance
2213	Life Insurance	Employer Contributions and Payroll Taxes Payable	<i>See Above</i>	Credit
2213	Retirement	Employer Contributions and Payroll Taxes Payable	<i>See Above</i>	Credit
2213	VSIP	Employer Contributions and Payroll Taxes Payable	<i>See Above</i>	Credit
2310	Disbursing Officer Cash	Advances From Others	The balance of amounts advanced by other Federal and non-Federal entities for goods and services to be furnished.	Credit
2400		Liability for Deposit Funds, Clearing Accounts, and Undeposited Collections	Amounts offsetting undeposited collections and collections deposited in deposit funds and clearing accounts, including suspense accounts, awaiting disposition or reclassification.	Credit
2520		Principal Payable to the Federal Financing Bank	The amount of loan principal owed to the Federal Financing Bank.	Credit
2650	FECA	Actuarial FECA Liability	Amount recorded by employer agencies for the actuarial present value of future FECA benefits provided to Federal employees or their beneficiaries as a result of work-related deaths, disability, or occupational disease. (Refer to FASAB's Liability Standard, number 5, paragraphs 95 and 96.)	Credit
2920		Contingent Liabilities	Amount that is recognized as a result of a past event where a future outflow or other sacrifice of resource is probable and measurable. Record a contingent liability related to environmental cleanup cost in USSGL account 2995, "Estimated Cleanup Cost Liability."	Credit
2980	S. A/R - C	Custodial Liability	The amount of custodial revenue yet to be transferred to another entity.	Credit
2980	S. A/R - NC	Custodial Liability	The amount of custodial revenue yet to be transferred to another entity.	Credit
2990		Other Liabilities	Other liabilities not otherwise classified.	Credit



## General Fund

General Fund				
Account Number	DDRS Line Item Attribute	USSGL Account Title	USSGL Account Description	Normal Balance
1010	Appropriated Funds	Fund Balance with Treasury	The aggregate amount of funds on deposit with Treasury, excluding seized cash deposited. Fund balance with Treasury (FBWT) is increased by (1) receiving appropriations, reappropriations, continuing resolutions, appropriation restorations, and allocations; and (2) receiving transfers and reimbursements from other agencies. It also is increased by amounts borrowed from Treasury, Federal Financing Bank, or other entities, and amounts collected and credited to appropriation or fund accounts. FBWT is reduced by (1) disbursements made to pay liabilities or to purchase assets, goods, and services; (2) investments in U.S. securities (securities issued by Treasury or other Federal Government agencies); (3) cancellation of expired appropriations; (4) transfers and reimbursements to other entities or to the Treasury, and (5) sequestration or rescission of appropriations. (See USSGL account 1532, "Seized Cash Deposited.")	Debit
1010	Other Fund Types	Fund Balance with Treasury	See Above	Debit
1010	Trust Funds	Fund Balance with Treasury	See Above	Debit
1110		Undeposited Collections	Collections on hand, not yet deposited within the same accounting period.	Debit
1190		Other Cash	Cash holdings not otherwise classified.	Debit
1200		Foreign Currency	The U.S. Dollar equivalent of foreign government currency.	Debit
1310		Accounts Receivable	Amounts due from others when the right to receive funds accrued. This may result from the performance of services, the delivery of goods, or court-ordered assessment.	Debit
1319		Allowance for Loss on Accounts Receivable	Estimated amount of uncollectible accounts receivable. Increase the account by the amount estimated to be uncollectible each accounting period. Decrease the account by the actual amount subsequently written off. The amount should consider outstanding advances.	Credit
1340	Investments	Interest Receivable	Amounts of accrued interest charges on accounts and loans receivable. This also includes interest accrued on investment securities.	Debit
1340	A/R	Interest Receivable	Amounts of accrued interest charges on accounts and loans receivable. This also includes interest accrued on investment securities.	Debit
1360	A/R	Penalties, Fines, and Administrative Fees Receivable	Amounts of penalties, fines, and administrative fees on accounts and loans receivable due to the delinquency of a debt.	Debit
1410		Advances to Others	Payments made in contemplation of the future performance of services, receipt of goods, incurrence of expenditures, or receipt of other assets. Common examples are travel advances made in contemplation of future travel expenses or advances to contractors made in	Debit

General Fund				
Account Number	DDRS Line Item Attribute	USSGL Account Title	USSGL Account Description	Normal Balance
			contemplation of future receipt of inventory or fixed assets.	
1450	Outstanding Contract Financing Payments	Prepayments	Expenditures that provide future benefits. Prepayments are often recurrent in nature and cover items such as rent, taxes, royalties, commissions, insurance, and supplies.	Debit
1511		Operating Materials and Supplies Held for Use	The cost or value of tangible personal property, such as operating materials and supplies that will be consumed in normal operations.	Debit
1513		Operating Materials and Supplies -Excess, Unserviceable, and Obsolete	The cost or value of tangible personal property, such as operating materials and supplies, that exceeds the amount expected to be used; is no longer needed because of changes in technology, laws, customs, or operations; or is damaged physically and cannot be consumed in operations.	Debit
1514		Operating Materials and Supplies Held for Repair	The cost/value of damaged personal property held as operating materials and supplies, which is more economical to repair than to dispose of. Agencies with immaterial amounts of operating materials and supplies held for repair may report these amounts in USSGL account 1511 “Operating Materials and Supplies Held for Sale.”	Debit
1519	Excess, Obsolete, and Unserviceable	Operating Materials and Supplies -Allowance	The amount of estimated repairs needed for damaged operating materials and supplies and the estimated gain or loss on the value of inventory due to unrealized holding gains and losses.	Credit
1519	Held for Repair	Operating Materials and Supplies -Allowance	<i>See Above</i>	Credit
1527		Inventory -Finished Goods	The accumulated cost or value of completed products.	Debit
1610	Non-Marketable Market Based	Investments in U.S. Treasury Securities Issued by the Bureau of the Public Debt	The par value of U.S. Treasury securities issued by the Bureau of the Public Debt. This includes marketable Treasury securities, non-marketable Treasury securities, and market-based Treasury securities.	Debit
1611	Non-Marketable Market Based-Trust Fund Only	Discount on U.S. Treasury Securities Issued by Public Debt	The full discount on U.S. Treasury securities issued by the Bureau of the Public Debt and held by an agency.	Debit
1612	Non-Marketable Market Based	Premium on U.S. Treasury Securities Issued by the Bureau of the Public Debt	The full premium on U.S. Treasury securities issued by the Bureau of the Public Debt and held by an agency.	Debit
1613	Non-Marketable Market Based	Amortization of Discount and Premium on U.S. Treasury Securities Issued	The amortization amount of discounts and premiums on U.S. Treasury securities issued by the Bureau of the Public Debt and held by an agency. FACTS II normal balance assigned to this account is “debit.”	Debit

General Fund				
Account Number	DDRS Line Item Attribute	USSGL Account Title	USSGL Account Description	Normal Balance
		by the Bureau of the Public Debt		
1711		Land & Land Rights	The identifiable cost of land and land rights of unlimited duration acquired for or in connection with general property, plant, and equipment used in general operations and permanent improvements. Stewardship land (National Park or Forest and land in public domain) and materials beneath or above the surface and Outer Continental Shelf resources are excluded.	Debit
1720		Construction-in-Progress	Includes costs of direct labor, direct material, and overhead incurred in the construction of general property, plant, and equipment (except information technology software) for which the agency will be accountable. Upon completion, these costs will be transferred to the proper capital asset account as the acquisition cost of the item.	Debit
1730		Buildings, Improvements, & Renovations	The cost of Federal Government-owned buildings acquired for and used in providing general Federal Government services or goods. Includes the cost of renovation, improvement, restoration, or reconstruction of multi-use heritage assets when those costs are directly tied to the conduct of Federal Government operations.	Debit
1739		Accumulated Depreciation on Buildings, Improvements, and Renovations	Accumulates depreciation charged to expense for buildings, improvements, and renovations.	Credit
1750	General Equipment	Equipment	The capitalized cost of tangible equipment items of a durable nature used by the agency in providing goods and services. This excludes computer software.	Debit
1750	Military Equipment	Equipment	<i>See Above</i>	Debit
1759	General Equipment	Accumulated Depreciation on Equipment	Accumulates depreciation charged to expense for equipment.	Credit
1759	Military Equipment	Accumulated Depreciation on Equipment	<i>See Above</i>	Credit
1810	Machinery & Equipment	Assets Under Capital Lease	The amount of assets being leased under terms equivalent to an installment purchase.	Debit
1820		Leasehold Improvements	The cost of improvements to leased land, buildings, structures, and facilities occupied by the Federal Government as a lessee, as well as easements and right-of-way.	Debit
1829		Accumulated Amortization on Leasehold Improvements	Accumulates amortization charged to expense for leasehold improvements.	Credit

General Fund				
Account Number	DDRS Line Item Attribute	USSGL Account Title	USSGL Account Description	Normal Balance
1830		Internal-Use Software	The capitalized cost of internal-use software including (1) purchased off-the-shelf software, (2) contractor-developed software subject to amortization, and (3) internally developed software subject to amortization.	Debit
1839		Accumulated Amortization on Internal-Use Software	Accumulates amortization charges to expense for internal-use software. Internal-use software will be amortized in a systematic and rational manner over the estimated useful life of the software. Software acquired for research and development with no alternative future use will be amortized over the period of the project as opposed to the normal life-cycle amortization.	Credit
2110		Accounts Payable	Amounts owed to another Federal or non-Federal entity for goods and other property ordered and received, and for services rendered by other than employees.	Credit
2120		Disbursements in Transit	The amounts of voucher schedule payments transmitted to the regional disbursing office for payment but not processed by the regional disbursing office.	Credit
2130		Contract Holdbacks	The amounts withheld from grantees or contractors pending completion of related contracts.	Credit
2190		Other Accrued Liabilities	Amounts of liabilities not otherwise classified above.	Credit
2210		Accrued Funded Payroll and Leave	The estimated liability for salaries, wages, and funded annual leave and sick leave that have been earned but are unpaid. (Refer to FASAB SFFAS No. 1, Accounting for Selected Assets and Liabilities, paragraph 84.)	Credit
2213	Health Benefits	Employer Contributions and Payroll Taxes Payable	The employer portion of payroll taxes and benefit contributions, such as retirement, including the agency's contribution to the Thrift Savings Plan ("N" attribute), and health and life insurance for covered employees.	Credit
2213	Life Insurance	Employer Contributions and Payroll Taxes Payable	<i>See Above</i>	Credit
2213	Retirement	Employer Contributions and Payroll Taxes Payable	<i>See Above</i>	Credit
2213	VSIP	Employer Contributions and Payroll Taxes Payable	<i>See Above</i>	Credit
2215	Unemployment	Other Post-Employment Benefits Due and Payable	Amounts due to former or inactive employees (not retired) and/or beneficiaries. Other post-employment benefits can include salary continuation, severance benefits, counseling, training, funded unemployment liability for Federal employees, funded Federal Employee Compensation Act (FECA) liability, and the current portion of veterans' disability compensation benefits. This is not an actuarial liability.	Credit
2220	Annual Leave-C	Unfunded Leave	The amount recorded by an employer agency for unpaid leave earned that the employee is entitled to upon separation and that will be funded from future years' appropriations.	Credit

General Fund				
Account Number	DDRS Line Item Attribute	USSGL Account Title	USSGL Account Description	Normal Balance
2220	Annual Leave-NC	Unfunded Leave	The amount recorded by an employer agency for unpaid leave earned that the employee is entitled to upon separation and that will be funded from future years' appropriations.	Credit
2225		Unfunded FECA Liability	The amount of Federal Employees Compensation Act (FECA) liability billed to agencies by the Department of Labor for FECA payments made on the agencies' behalves. The funding for the liability will be made from a future appropriation. This is not an actuarial liability.	Credit



## Appendix C: Validation Business Process Matrix (WCF and GF)

### Working Capital Fund

Working Capital Fund Business Processes											
Balance Sheet Line Items		Funds Control	Billing	Cash Receipt/ Refunds	Returns	Requisition	Purchasing/ Acquisitions	Transportation	Disbursements	Payroll	Financial Reporting
<b>Fund Balance with Treasury</b>											
1.A	Appropriated Funds	X		X	X				X	X	X
1.B	Revolving Funds	X		X	X				X	X	X
1.C	Trust Funds	X		X	X				X	X	X
1.D	Other Fund Types	X		X	X				X	X	X
<b>Accounts Receivable</b>											
1	Intra-governmental Receivable	X	X	X							X
2	Non-Federal Receivables (Public)	X	X	X	X				X	X	X
<b>Other Assets</b>											
1.A	Advances and Prepayments (Intra)	X							X		X
1.B	Other Assets	X							X		X
2.A	Outstanding Contract Financing Payments	X		X					X		X
2.B	Other Assets (With the Public)	X		X					X		X

Working Capital Fund Business Processes											
Balance Sheet Line Items		Funds Control	Billing	Cash Receipt/ Refunds	Returns	Requisition	Purchasing/ Acquisitions	Transportation	Disbursements	Payroll	Financial Reporting
<b>Inventory and Related Property</b>											
1	Inventory, Net	X			X	X	X	X	X		X
2	Operating Materials and Supplies, Net	X			X	X	X	X	X		X
3	Stockpile Materials, Net	X			X	X	X	X	X		X
<b>Operating Materials and Supplies</b>											
1.A	Held for Use	X			X	X	X	X	X		X
1.B	Held for Repair	X			X			X			X
1.C	Excess, Obsolete, and Unserviceable							X			X
<b>General Property, Plant, and Equipment</b>											
1.A	Land	X									X
1.B	Building, Structures, and Facilities	X									X
1.C	Leasehold Improvements	X			X	X	X		X		X
1.D	Software	X			X	X	X		X		X
1.E	Equipment	X			X	X	X	X	X		X
1.F	Military Equipment	X			X	X	X	X	X		X
1.G	Assets Under	X			X	X	X	X	X		X



Working Capital Fund Business Processes											
Balance Sheet Line Items		Funds Control	Billing	Cash Receipt/ Refunds	Returns	Requisition	Purchasing/ Acquisitions	Transportation	Disbursements	Payroll	Financial Reporting
	Capital Lease										
1.H	Construction-in-Progress	X				X	X		X		X
1.I	Other	X			X	X	X		X		X
<b>Accounts Payable</b>											
1	Intra-governmental Payables	X					X		X		X
2	Non-Federal Payables (to the Public)	X					X		X		X
<b>Debt</b>											
1.A	Held by Government Accounts										
1.B	Held by the Public										
2.A	Debt to the Treasury	X							X		X
2.B	Debt to the Federal Financing Bank	X							X		X
2.C	Debt to Other Federal Agencies	X							X		X
<b>Other Liabilities</b>											
1.A	Advances from Others	X		X					X		X
1.B	Deferred Credits	X		X					X		X
1.C	Deposit Funds and Suspense	X		X					X		X

Working Capital Fund Business Processes											
Balance Sheet Line Items		Funds Control	Billing	Cash Receipt/ Refunds	Returns	Requisition	Purchasing/ Acquisitions	Transportation	Disbursements	Payroll	Financial Reporting
	Account Liabilities										
1.D	Resources Payable to Treasury	<b>X</b>							<b>X</b>		<b>X</b>
1.E	Disbursing Officer Cash	<b>X</b>							<b>X</b>		<b>X</b>
1.F.1	National Defense PP&E (Non-nuclear)	<b>X</b>							<b>X</b>		<b>X</b>
1.F.2	Excess/Obsolete Structures	<b>X</b>							<b>X</b>		<b>X</b>
1.F.3	Conventional Munitions Disposal	<b>X</b>							<b>X</b>		<b>X</b>
1.G	Accounts Payable-Cancelled Appropriations	<b>X</b>							<b>X</b>		<b>X</b>
1.H	Judgment Fund Liabilities	<b>X</b>							<b>X</b>		<b>X</b>
1.I	FECA Reimbursement to DOL	<b>X</b>							<b>X</b>		<b>X</b>
1.J	Capital Lease Liability	<b>X</b>							<b>X</b>		<b>X</b>
1.K	Other Liabilities	<b>X</b>							<b>X</b>		<b>X</b>
	Non-Federal:										
2.A	Accrued Funded Payroll and Benefits	<b>X</b>							<b>X</b>		<b>X</b>
2.B	Advances from	<b>X</b>		<b>X</b>					<b>X</b>		<b>X</b>

Working Capital Fund Business Processes											
Balance Sheet Line Items		Funds Control	Billing	Cash Receipt/ Refunds	Returns	Requisition	Purchasing/ Acquisitions	Transportation	Disbursements	Payroll	Financial Reporting
	Others										
2.C	Deferred Credits	<b>X</b>		<b>X</b>					<b>X</b>		<b>X</b>
2.D	Loan Guarantee Liability	<b>X</b>		<b>X</b>					<b>X</b>		<b>X</b>
2.E	Liability for Subsidy Related to Undisbursed Loans	<b>X</b>		<b>X</b>					<b>X</b>		<b>X</b>
2.F	Deposit Funds and Suspense Account	<b>X</b>		<b>X</b>					<b>X</b>		<b>X</b>
2.G	Temporary Early Retirement Authority	<b>X</b>							<b>X</b>		<b>X</b>
2.H.1	National Defense PP&E (Non-nuclear)	<b>X</b>							<b>X</b>		<b>X</b>
2.H.2	Excess/Obsolete Structures	<b>X</b>							<b>X</b>		<b>X</b>
2.H.3	Conventional Munitions Disposal	<b>X</b>							<b>X</b>		<b>X</b>
2.H.4	Other	<b>X</b>							<b>X</b>		<b>X</b>
2.I	Accounts Payable-Cancelled Appropriations	<b>X</b>							<b>X</b>		<b>X</b>
2.J	Accrued Unfunded Annual Leave	<b>X</b>							<b>X</b>		<b>X</b>
2.K	Accrued	<b>X</b>							<b>X</b>		<b>X</b>

Working Capital Fund Business Processes											
Balance Sheet Line Items		Funds Control	Billing	Cash Receipt/ Refunds	Returns	Requisition	Purchasing/ Acquisitions	Transportation	Disbursements	Payroll	Financial Reporting
	Entitlement Benefits for Military Retirees										
2.L	Capital Lease Liability	X							X		X
2.M	Other Liabilities	X							X		X
Actuarial Liabilities											
1.A	Military Retirement Pensions	X								X	X
1.B	Military Retirement Health Benefits	X								X	X
1.C	Medicare-Eligible Retiree Benefits	X								X	X
2.A	FECA	X								X	X
2.B	Voluntary Separation Incentive Programs	X							X		X
2.C	DoD Educational Benefits Fund	X								X	X
Revenue		X	X	X	X						X
Expenses		X					X		X	X	X

## General Fund

General Fund Business Processes											
Balance Sheet Line Items		Funds Control	Billing	Cash Receipt	Returns	Requisition	Purchasing/ Acquisitions	Transportation	Disbursements	Payroll	Financial Reporting
<b>Fund Balance with Treasury</b>											
1.A	Appropriated Funds	X		X	X				X	X	X
1.B	Revolving Funds	X		X	X				X	X	X
1.C	Trust Funds	X		X	X				X	X	X
1.D	Other Fund Types	X		X	X				X	X	X
<b>Investments</b>											
1.C	Non-Marketable, Market-Based	X					X		X		X
1.E	Accrued Interest	X		X							X
<b>Accounts Receivable</b>											
1	Intra-governmental Receivable	X	X	X							X
2	Non-Federal Receivables (Public)	X	X	X	X				X	X	X
<b>Other Assets</b>											
1.A	Advances and Prepayments (Intra)	X							X		X
1.B	Other Assets	X							X		X
2.A	Outstanding Contract Financing Payments	X		X					X		X

General Fund Business Processes											
Balance Sheet Line Items		Funds Control	Billing	Cash Receipt	Returns	Requisition	Purchasing/ Acquisitions	Transportation	Disbursements	Payroll	Financial Reporting
2.B	Other Assets (With the Public)	X		X					X		X
Cash and Other Monetary Assets											
1	Cash	X		X					X	X	X
2	Foreign Currency	X		X					X		X
3	Other Monetary Assets	X		X					X		X
Direct Loan and/or Loan Guarantee Programs											
1	Loans Receivable		X	X							X
Inventory and Related Property											
1	Inventory, Net	X			X	X	X	X	X		X
2	Operating Materials and Supplies, Net	X			X	X	X	X	X		X
3	Stockpile Materials, Net	X			X	X	X	X	X		X
Operating Materials and Supplies											
1.A	Held for Use	X			X	X	X	X	X		X
1.B	Held for Repair	X			X			X			X
1.C	Excess, Obsolete, and Unserviceable							X			X
General Property, Plant, and Equipment											

General Fund Business Processes											
Balance Sheet Line Items		Funds Control	Billing	Cash Receipt	Returns	Requisition	Purchasing/ Acquisitions	Transportation	Disbursements	Payroll	Financial Reporting
1.A	Land	X									X
1.B	Building, Structures, and Facilities	X									X
1.C	Leasehold Improvements	X			X	X	X		X		X
1.D	Software	X			X	X	X		X		X
1.E	Equipment	X			X	X	X	X	X		X
1.F	Military Equipment	X			X	X	X	X	X		X
1.G	Assets Under Capital Lease	X			X	X	X	X	X		X
1.H	Construction-in-Progress	X				X	X		X		X
1.I	Other	X			X	X	X		X		X
Assets Under Capital Lease											
1.B	Equipment	X			X	X	X	X	X		X
1.D	Accumulated Amortization										X
Accounts Payable											
1	Intra-governmental Payables	X					X		X		X
2	Non-Federal Payables (to the Public)	X					X		X		X
Debt											

General Fund Business Processes											
Balance Sheet Line Items		Funds Control	Billing	Cash Receipt	Returns	Requisition	Purchasing/ Acquisitions	Transportation	Disbursements	Payroll	Financial Reporting
2.C	Debt to Other Federal Agencies	X							X		X
Environmental Liabilities											
1.A.1	DERP- Active Installations (ER)	X							X		X
1.A.2	DERP- Active Installations- Closed Ranges	X							X		X
1.B.1	Non-DERP- Active Installations- Corrective Action	X							X		X
1.B.2	Non-DERP- Closure Requirements	X							X		X
1.B.3	Non-DERP- Environmental Response	X							X		X
1.B.4	Non-DERP- Other	X							X		X
1.C.1	BRAC- ER	X							X		X
1.C.2	BRAC- ER for Transferring Ranges	X							X		X
1.D.1	Nuclear Powered Aircraft	X							X		X
1.D.2	Nuclear Powered Submarines	X							X		X
1.D.3	Other Nuclear Powered Ships	X							X		X
1.D.4	Other National	X							X		X



General Fund Business Processes											
Balance Sheet Line Items		Funds Control	Billing	Cash Receipt	Returns	Requisition	Purchasing/ Acquisitions	Transportation	Disbursements	Payroll	Financial Reporting
	Defense Systems										
Other Liabilities											
1.A	Advances from Others	X		X					X		X
1.B	Deferred Credits	X		X					X		X
1.C	Deposit Funds and Suspense Account Liabilities	X		X					X		X
1.D	Resources Payable to Treasury	X							X		X
1.E	Disbursing Officer Cash	X							X		X
1.F.1	National Defense PP&E (Non-nuclear)	X							X		X
1.F.2	Excess/Obsolete Structures	X							X		X
1.F.3	Conventional Munitions Disposal	X							X		X
1.F.4	Other	X							X		X
1.G	Accounts Payable-Cancelled Appropriations	X							X		X
1.H	Judgment Fund Liabilities	X							X		X
1.I	FECA Reimbursement to DOL	X							X		X
1.J	Capital Lease Liability	X							X		X

General Fund Business Processes											
Balance Sheet Line Items		Funds Control	Billing	Cash Receipt	Returns	Requisition	Purchasing/ Acquisitions	Transportation	Disbursements	Payroll	Financial Reporting
1.K	Other Liabilities	<b>x</b>							<b>x</b>		<b>x</b>
	Non-Federal:										
2.A	Accrued Funded Payroll and Benefits	<b>x</b>							<b>x</b>		<b>x</b>
2.B	Advances from Others	<b>x</b>		<b>x</b>					<b>x</b>		<b>x</b>
2.C	Deferred Credits	<b>x</b>		<b>x</b>					<b>x</b>		<b>x</b>
2.D	Loan Guarantee Liability	<b>x</b>		<b>x</b>					<b>x</b>		<b>x</b>
2.E	Liability for Subsidy Related to Undisbursed Loans	<b>x</b>		<b>x</b>					<b>x</b>		<b>x</b>
2.F	Deposit Funds and Suspense Account	<b>x</b>		<b>x</b>					<b>x</b>		<b>x</b>
2.G	Temporary Early Retirement Authority	<b>x</b>							<b>x</b>		<b>x</b>
2.H.1	National Defense PP&E (Non-nuclear)	<b>x</b>							<b>x</b>		<b>x</b>
2.H.2	Excess/Obsolete Structures	<b>x</b>							<b>x</b>		<b>x</b>
2.H.3	Conventional Munitions Disposal	<b>x</b>							<b>x</b>		<b>x</b>
2.H.4	Other	<b>x</b>							<b>x</b>		<b>x</b>
2.I	Accounts Payable-Cancelled Appropriations	<b>x</b>							<b>x</b>		<b>x</b>

General Fund Business Processes											
Balance Sheet Line Items		Funds Control	Billing	Cash Receipt	Returns	Requisition	Purchasing/ Acquisitions	Transportation	Disbursements	Payroll	Financial Reporting
2.J	Accrued Unfunded Annual Leave	X							X		X
2.K	Accrued Entitlement Benefits for Military Retirees	X							X		X
2.L	Capital Lease Liability	X							X		X
2.M	Other Liabilities	X							X		X
Actuarial Liabilities											
1.A	Military Retirement Pensions	X								X	X
1.B	Military Retirement Health Benefits	X								X	X
1.C	Medicare-Eligible Retiree Benefits	X								X	X
2.A	FECA	X								X	X
2.B	Voluntary Separation Incentive Programs	X							X		X
2.C	DoD Educational Benefits Fund	X								X	X
Revenue		X	X	X	X						X
Expenses		X					X		X	X	X

## Appendix D: Sample Business Process Memorandum & Flow chart

The following samples are for guidance purposes only. The samples provide a high-level description of the actual process. All memorandums and flow charts should be as detailed as possible.

DON General Fund Investments Business Process	
<b>Organizations Responsible for DON General Fund Investments Business Process:</b> <ul style="list-style-type: none"> <li> <b>Assistant for Administration to the Under Secretary of the Navy (AAUSN)</b>  <i>Assistant for Administration Under Secretary of the Navy  Special Programs Division  Navy Annex Rm. 2519  Washington, DC 20370;</i> </li> <li> <b>United States Naval Academy (USNA)</b>  <i>Comptroller Department  U. S. Naval Academy  181 Wainwright Road  Annapolis, MD 21402-5008; and</i> </li> <li> <b>Defense Finance and Accounting Service – Cleveland (DFAS-CL)</b>  <i>1240 East 9th St.  Code *****  Cleveland, OH 44199</i> </li> </ul>	<b>Points of Contact:</b> <ul style="list-style-type: none"> <li>Jodi Johnson, AAUSN, 703-693-0975, jodi.Johnson@navy.mil;</li> <li>Mona Quinn, USNA, DSN 281-1613, monagail.quinn@navy.mil; and</li> <li>Dave Tomcho, DFAS-CL, 216-204-2742, david.tomcho@dfas.mil</li> </ul>
<b>Purpose:</b> To describe the business process flow (i.e., collection, processing, recordation, summarization, and reporting) for the DON General Fund Investments.	
<b>Prepared By:</b> FMO <b>Date:</b> 09 September 2004	<b>Point of Contact:</b> Gil Gardner, 202-685-6727
<b>Process Description:</b> <ol style="list-style-type: none"> <li>AAUSN and USNA analyze available funds for potential investments in non-marketable, market-based securities issued by the Department of Treasury's Bureau of Public Debt (Treasury/BPD).</li> <li>AAUSN and USNA Comptrollers or designees approve the form "Request for Investment/Redemption" prior to submission to Treasury/BPD.</li> <li>Treasury/BPD purchases T-Bills based on AAUSN's and USNA's request (see #2 above).</li> </ol>	

4. Treasury/BPD withdraws funds from DON's Fund Balance with Treasury to cover T-Bill purchase.
5. AAUSN and USNA download the "Transaction Confirmation" from the Treasury/BPD's website and determine whether interest has been earned on the investment(s).
6. If interest has not been earned (see #5 above), then AAUSN and USNA prepare a spreadsheet that summarizes the values of investments relative to their respective trust funds.
7. If interest has been earned (see #5 above), then AAUSN and USNA complete NAVCOMPT Form 372, "Allotment Authorization." AAUSN and USNA Comptrollers or designees approve NAVCOMPT Form 372 prior to recordation in the Standard Accounting and Reporting System – Field Level (STARS-FL). AAUSN and USNA send a copy of NAVCOMPT Form 372 to DFAS-CL and DFAS-Charleston.
8. On a monthly basis, AAUSN and USNA download the Department of Treasury Standard Form 224, "Statement of Account."
9. AAUSN and USNA reconcile the SF 224 (see #8 above) with the Summary of Values of Investments spreadsheet (see #6 above). AAUSN and USNA coordinate resolution of errors or discrepancies with DFAS-CL or Treasury BPD.
10. On a quarterly basis, DFAS-CL prepares the Standard Form 133, "Report of Budget Execution and Budgetary Resources" based on transaction confirmations (see #5 above) and the SF 224 (see #8 above). DFAS-CL records SF 133 data in STARS-FDR. DFAS-CL reconciles investment transaction information on the SF 224 with the information produced on the SF 133.
11. On a quarterly basis, DFAS-CL also records journal vouchers in DDRS-AFS based on information that DFAS-CL downloads from the IFCS website (Treasury/BPD). This information includes accrued interest and amortized premium/discount.

**Control Objectives, Risks & Control Activities:**

1. **Financial Reporting Control Objective:** Laws, regulations, and management policy should authorize recorded transactions and process procedures. Appropriate individuals in accordance with management's general or specific criteria should approve recorded transactions.

**Risk of potential misstatement:** Recorded transactions do not represent economic events that actually occurred.

**Control Activity:** AAUSN and USNA Comptrollers or designees approve "Request for Investment/Redemption" – see #2 above.

2. **Financial Reporting Control Objective:** Laws, regulations, and management policy should authorize recorded transactions and process procedures. Appropriate individuals in accordance with management's general or specific criteria should approve recorded transactions.

**Risk of potential misstatement:** Appropriate individuals in accordance with management's general or specific criteria should approve recorded transactions.

**Control Activity:** AAUSN and USNA Comptrollers or designees approve NAVCOMPT Form 372 prior to recordation in STARS-FL – see #7 above.

3. **Financial Reporting Control Objective:** Transactions should be recorded at correct amounts.

**Risk of potential misstatement:** Transactions are recorded at incorrect amounts.

**Control Activity:** AAUSN and USNA coordinate resolution of errors or discrepancies with DFAS-CL or Treasury/BPD – see #9 above.

4. **Financial Reporting Control Objective:** Assets included in the financial statements are valued on an inappropriate basis.

**Risk of potential misstatement:** Assets included in the financial statements should be valued on an appropriate valuation basis.

**Control Activity:** DFAS-CL reconciles investment transaction information on the SF 224 with the information produced on the SF 133 – see #10 above.

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File: Investments.vsd (page 1 of 1)  
 Name: Investment Process Flowchart  
 Date: 20 December 2005

Transaction-  
Related Process

Responsible  
Organization

File Used

Risk &  
Control  
Point

System

Output  
Report

